

complaint

Mrs B complains that, after she paid the balance she believed she owed on her store card account, NewDay Ltd continued to pursue her for further interest and charges.

background

Mrs B had a store card account with NewDay. In May 2014, Mrs B was moving house, and wanted to clear her NewDay account. She received a statement dated 19 May 2014, showing the balance she owed was £446.23. The statement also said the minimum payment she had to make was £42.43, and this had to reach NewDay by 14 June 2014.

Mrs B sent NewDay a cheque for £446.23. As she thought she had cleared her account, she did not give NewDay her new address, as required by the terms of her credit agreement. NewDay received the payment on 23 June 2014. As this was after the June payment date, it applied a further £17.61 to the account, which had to be paid by 14 August 2014.

The statement NewDay sent to Mrs B's old address was returned, so it instructed its tracing department to find her new address. It spoke briefly to Mrs B in November 2014, and then sent monthly statements to her new address showing an increasing balance due, which was made up entirely of interest and late payment charges.

Mrs B complained to NewDay. On 26 February 2015, it wrote to her saying:

"Having checked your account, I can confirm that we received your payment of £446.23 on 23 June 2014 leaving a balance of £17.61 which is made up of interest and a late payment fee from the previous month for non-payment of account....."

"As a result of this matter your account is in serious arrears and I would therefore urge you to make a payment at your earliest convenience to avoid further complications."

In March 2015, Mrs B sent NewDay a cheque for £17.61. She said this was sent in full and final payment for the account to be closed. However when the cheque was received by NewDay, it was processed automatically. It pointed to a term of its credit agreement which allowed it to do this. It continued to pursue Mrs B for increasing amounts of interest and late payment charges, although it agreed to refund two late payment charges as a gesture of goodwill.

Our adjudicator recommended that this complaint should be upheld. She said that NewDay traced Mrs B in November 2014, but did not contact her till February 2015. She did not think Mrs B should have to pay charges added during that period. When Mrs B became aware the account was still open, she immediately disputed the balance. NewDay didn't put the account, or charges, on hold while it investigated.

The adjudicator thought that the letter from NewDay dated 26 February 2015 wasn't clear in the amount NewDay expected Mrs B to pay. Because of this, she thought it would be reasonable for NewDay to accept what Mrs B had paid to settle and close the account.

NewDay should not pursue Mrs B for any further payments and the account should be marked as settled from March 2015. If any adverse information had been added to Mrs B's credit file after that date, it should be removed. NewDay should also pay Mrs B £75 in recognition of any trouble or upset caused in dealing with this matter.

NewDay responded to say, in summary, that:

- the payment Mrs B made in June 2014 was late, which broke the terms of the credit agreement, and entitled NewDay to add charges,
- Mrs B didn't tell NewDay her new address, contrary to the terms of the agreement, which meant she didn't receive the next month's statement showing charges had been applied,
- It appeared that Mrs B had phoned NewDay in November 2014, presumably after receiving a letter saying she had been traced to her new address,
- NewDay was entitled under the agreement to take the payment of £17.61, and to continue to chase for payment of the remaining amount due, and
- although its letter of 26 February 2015 did not explain what was owed at that time, a statement was issued on 19 February 2015 showing the balance as £129.79. So NewDay was sure Mrs B knew what was owed.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Mrs B didn't tell NewDay her new address because she thought she had settled her account in full, and so didn't need to. In fact, her payment arrived after the June payment date, and so incurred a late payment charge and another month's interest.

It took NewDay some time to trace Mrs B and get back in contact with her. But it appears that she didn't understand why interest and charges were still being added to her account. She complained about the statements she was receiving. On 26 February 2015, NewDay wrote to Mrs B explaining that the payment she made in June 2014 was late, and so a further £17.61 had been charged to her account, made up of interest and a late payment charge. It said:

"As a result of this matter your account is in serious arrears and I would therefore urge you to make a payment at your earliest convenience to avoid further complications."

The only figure mentioned in the letter was £17.61. So Mrs B sent NewDay a cheque for this amount, *"being the amount you state we owed, after paying off the balance we thought we owed in June 2014"*. She said this was a full and final payment for what she owed. But NewDay processed the payment automatically, and in line with a term in its credit agreement continued to add further interest and charges to Mrs B's account.

Until Mrs B received NewDay's letter of 26 February 2015, I don't think she understood why NewDay was still sending her statements saying she owed ever increasing amounts of interest and charges. The letter itself explained why after making her June 2014 payment, she still owed £17.61. It said her account was in arrears and she had to make a payment. But the only figure mentioned in the letter was £17.61, which she proceeded to pay.

In these circumstances, I think it is fair and reasonable that NewDay should treat Mrs B's account as settled in March 2015 when it received her payment of £17.61. NewDay should write off all other interest and charges, it should close her account, and it should amend her credit record to reflect this position. It should pay her £75 as compensation for the trouble and upset it has caused Mrs B by continuing to pursue her for further interest and charges.

my final decision

My decision is that I uphold this complaint. I order NewDay Ltd to:

1. treat Mrs B's account as settled and closed when it received her payment of £17.61,
2. amend Mrs B's credit record accordingly, and remove any adverse information to the contrary, and
3. pay Mrs B compensation of £75.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 16 November 2015.

Lennox Towers
ombudsman