

complaint

Mr T's complaint concerns his credit card account with NewDay Ltd (NewDay). He feels he was given incorrect advice over the telephone by a NewDay agent and having acted on that advice it has led him into financial difficulties.

background

Mr T fell into arrears on his account around October 2018. He had a £450 credit limit. He rang NewDay in February 2019 and says the agent he spoke to told him that interest would be frozen on the account until he made a payment of £90 on the 26 March. After that he said she told him he would be able to use the card as normal, as his account would be back within its credit limit.

On the 25 March Mr T paid £150, bringing the account back within its credit limit. But he realised the interest had not been frozen. He then paid off the remaining balance on the 2 April. He noticed on the 4 April that his credit limit had gone down to £250 and says he wasn't notified of this. On the 9 April he rang NewDay again as his card had been declined and the agent told him that his account had been closed on the 25 March. He says he wasn't notified of that either. Mr T said if he been told his account was going to be closed he wouldn't have cleared his balance, since without that credit facility it left him in financial difficulties having to borrow money from his parents and taking a payday loan which he is struggling to repay.

NewDay confirm that Mr T rang in February and said he would pay £90 on the 26 March. But they said the agent had told him his account would be frozen until then, after which he would be able to use his card again. She asked him to get in touch with their Collections team to set up a payment arrangement and ask about having the interest frozen, but he didn't.

Regarding the termination of the credit agreement, NewDay said Mr T's account had exceeded his agreed credit limit in October and November 2018, and also in January, February and March 2019. Because of that it made the business decision to close his account. On the 2 March 2019 it says it sent Mr T a Default notice telling him he had to pay £44.14 by the 23 March and in default it would terminate the credit agreement.

NewDay also say that on the 23 March, it wrote to Mr T advising him it had terminated his credit agreement, and referred his account to their Debt Recovery Unit. NewDay accept it lowered Mr T's credit limit to £250, making that decision in line with the terms and conditions of his credit agreement and in line with their responsible lending policy. And it says it wrote to Mr T on the 4 April 2019 notifying him of this.

Mr T was unhappy with NewDay's response and so an investigator from this service looked into the complaint but didn't think NewDay had acted unfairly. As Mr T didn't agree, the complaint has been passed to me.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. The role of the Financial Ombudsman Service is to resolve individual complaints and to award redress where it is appropriate so to do. What I need to decide is whether the Bank acted fairly and reasonably in how it dealt with Mr T.

Starting with the call of the 20 February 2019 - the agent told Mr T that his account would need to be frozen because charges had already been refunded to him. She meant the account could not be used. I think Mr T understood that because he asked if once he made the payment would he be able to use the account as normal, to which the agent said yes. But she also told him he would need to contact the Collections team regarding freezing the interest going forward and setting up a repayment plan, but he didn't. It's correct that the agent didn't mention the default but that's because that wasn't her role and that is why Mr T was asked to contact the collections team. So I don't think NewDay has acted unfairly here.

I know Mr T says he did not receive any of the correspondence sent to him and I can accept that he didn't since I have no reason to doubt him. But for the same reasons, I also accept that NewDay did send that correspondence to him especially since it has produced evidence from their correspondence system showing the letters were sent.

So, looking at the time line I can see that after the February call, NewDay wrote to Mr T on the 2 March with a Default Notice telling him what he had to do and by when - the 23 March. And that if he didn't it would terminate the credit agreement. As he didn't make the payment as asked, the agreement was terminated. I appreciate Mr T then made a payment on the 25 March, but by that time the agreement had already been terminated. And when Mr T paid off his balance on the 2 April this was before he spoke to NewDay to learn of the account closure. So again I can't say NewDay has done anything wrong.

The Lending Code sets out some things banks can do when a customer is in financial difficulty and that includes suspending charges on the account. But they don't have to do that - what they have to do is deal positively and sympathetically with customers once it knows they are in financial difficulty, and it can do a range of things, depending on the customer's circumstances. NewDay did do this – when Mr T contacted NewDay it agreed an arrangement with him to make lower payments each month against his outstanding balance and it also refunded charges on his account.

So, looking at this in the round, I can't say that NewDay have acted unreasonably here. The actual advice given by the agent in February on the phone was perhaps a little unclear, but Mr T was clearly told what he had to do in writing on the 2 March. I appreciate he did not get that, but NewDay acted fairly in sending it to him, and had Mr T rung the Collections Dept. back when he said he would then this problem may have been avoided. So overall I can't say NewDay have acted unfairly.

my final decision

For the reasons set out above I do not uphold the complaint against NewDay Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 27 December 2019.

Jonathan Willis
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