

complaint

Mr T complains that after he agreed a payment plan with it NewDay Ltd, trading as Aqua, still closed his credit card account, issued a default and sent him letters asking it to get in touch.

background

In December 2017 Mr T fell into arrears with the payments on his Aqua credit card. In Mid-April he spoke with an agent for Aqua and agreed a repayment plan to clear the arrears.

On 23 February 2018, before the date agreed for the first payment under the repayment plan, Aqua wrote to Mr T saying his credit card agreement had been terminated. Aqua also said that his account had been passed to a debt collection agency and the full balance was due.

Mr T complained to Aqua. It said that he was unhappy as he'd been told that the payment plan would prevent the account being closed and passed to a third party. In its response Aqua confirmed the account was closed. It said the account hadn't been passed to a debt collection agency but it reserved the right to do this when the contract was in breach, as Mr T's was. It apologised that its agent hadn't explained that he needed to make a payment before the account was ninety days in arrears to prevent this. It credited the account with £10 for the inconvenience caused to him.

Mr T brought his complaint to us. Aqua had told our investigator that Mr T should have ignored the letters sent after the payment plan had been agreed. But our investigator thought that Aqua should've explained this to him. Aqua had confused Mr T.

She didn't think it was appropriate that Mr T's credit was withdrawn one day before the first payment under the payment plan was due. And he wasn't informed this would happen during the 16 February call, even though the Aqua agent referred to the 90-day timeframe. But she didn't think it was wrong of Aqua to withdraw the payment arrangement in June when he'd paid off the arrears as payment arrangements are only meant for arrears. But it should've made this clear to him.

She thought Aqua should pay him £200 compensation for the trouble and upset caused by the letters and by the withdrawal of the credit agreement just days after the payment arrangement had been made. She also said no default should be reported to the credit reference agencies between 16 February and 22 June 2018.

Mr T agreed with our investigator's view. But Aqua didn't. it said that it was coincidental that his credit facility was withdrawn shortly after the payment plan was agreed but that his card had already been suspended when he hadn't made the monthly repayments some months earlier.

It said it couldn't allow a borrower to continue to use a card when they were experiencing long-term financial difficulties. It had said it hadn't recorded a default and it didn't see how it had caused £200 of distress from its actions.

Our investigator didn't agree. While she thought suspending his account whilst in arrears was reasonable, withdrawing the credit facility entirely wasn't appropriate. This was because it knew he wasn't in long-term financial difficulties. If it had believed he was in serious long term difficulties it wouldn't have agreed a payment plan with him. It seemed to her that the

credit facility was withdrawn simply because the system hadn't recognised the payment arrangement before the 90-day thresh-hold had been reached. But regardless of whether it should or shouldn't have been, the process wasn't made clear to Mr T.

Aqua continued to say that it was right to withdraw the credit facility, as Mr T was still on a repayment plan to the present day, and no business allows a customer to make purchases whilst on a repayment plan.

The case then came to me for a decision. I asked our investigator to obtain further information from Aqua, including information that supports its claim that Mr T is still on a repayment plan, but despite numerous requests it has not provided all the information sought, or readable copies of all information provided.

On 7 June 2019 I issued a provisional decision. My findings were as follows:

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so, I intend to uphold the complaint and tell Aqua to pay Mr T £300. But I'm not going to tell Aqua to remove a default on Mr T's credit file as I'm satisfied no default has been recorded.

Aqua itself acknowledges that it could've provided better customer service to Mr T. It paid him £10 for this. But it doesn't accept that it caused £200 worth of distress – the amount our investigator recommended it pay. I disagree. And I've increased the compensation amount because in my view its handling of the complaint since it came to our service has caused further delay and thus inconvenience to Mr T. I'll explain why.

Aqua focussed its response to our investigator's view on her comment that it wasn't appropriate for it to withdraw the credit facility in the way it did. I can see why our investigator said that in the context of the payment plan and the 90-day thresh-hold. But as she said in her exchanges with Aqua, if it was going to do this, it should've been explained to Mr T, and it wasn't. So in her view it was a further customer service issue. I agree.

Only a week after the payment plan had been agreed Mr T was sent a letter asking for full repayment of the amount outstanding on the credit card, and not just the arrears. And he was told it would be passed to a collection agency. In my view this was likely to cause considerable distress and confusion for Mr T. I've no doubt it did.

Since receiving our investigator's view, Aqua have insisted that there is a repayment plan in place on the account that continues up until now. It says this shows it was right to withdraw Mr T's credit entirely. The statements provided to us are almost completely unreadable so I'm not able to tell what is happening on the account. but it looks to me like interest is being paid, contrary to what Aqua has said. I also note that Mr T's credit file shows the status of the account as being OK each month since June 2018, which is inconsistent with a payment plan being in place.

I gave Aqua repeated opportunities to provide information to support its allegations, and this delayed the progress of the complaint. Because of this, combined with the fact that I think its poor customer service caused Mr T considerable inconvenience and distress, I propose to tell it to pay Mr T £300 compensation for his distress and inconvenience caused by its poor service.

Our investigator also said that Aqua should remove any default recorded on Mr T's account between mid February and June 2018. I've seen Mr T's credit file account, and no default is

recorded, so I'm not going to ask it to do this. His credit file for the account shows that Aqua has reported it has having the status 'AA' for November and December 2017 and 'BB' for the months January to April 2018. 'AA' refers to an account being in early arrears of one to two months, and 'BB' means sustained arrears of three months or more. I think this is an accurate record, so I won't be asking Aqua to remove them.

My provisional decision was that NewDay Ltd, trading as Aqua, must pay Mr T £300 compensation for the distress and inconvenience he has experienced because of customer service failings. To be clear, this is in addition to the £10 already paid.

Mr T accepted my provisional decision and Aqua noted it.

my findings

I've re-considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. As Mr T accepted my decision, and Aqua had no comments on it, I see no reason to change it. I think still my provisional decision is the right one, for the reasons given above.

my final decision

My final decision is that NewDay Ltd, trading as Aqua, must pay Mr T £300 compensation for the distress and inconvenience he has experienced because of customer service failings. To be clear, this is in addition to the £10 already paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 15 August 2019.

Helen Wheatley
ombudsman