

## **complaint**

Mr B complains about how NewDay Ltd processed a refund onto his card.

## **background**

Mr B said that he has a store branded credit card provided by NewDay. He said that when he gets a refund from the store, NewDay doesn't reduce the monthly direct debit payment to take account of the refund. And he had to actually contact them to get that refunded money paid back to him. He said that when he had complained to NewDay, it just said that was its process.

Mr B wanted NewDay to take account of refunds when it worked out how much customers should pay on their monthly direct debits. He said this is what other credit card companies do. And he said that it shouldn't be an effort to get the money returned to him. He also wanted compensation for the effort and inconvenience he has suffered.

NewDay said that Mr B had returned some goods to the store at the end of December 2017, and the refund wasn't processed onto his account until several days later. It knew that he thought that this was too long.

And it had still taken the full amount of his direct debit at the end of January 2018, even though a refund which covered most of his due payment had been processed earlier that month.

NewDay said that purchases are debited from Mr B's account immediately, but that when a refund is processed, it takes longer to credit the account. NewDay said that this was because there's no authorisation for refunds, in the way there is for payments out of the account. So the credit card company doesn't know a refund is coming, and refunds don't update in real time. NewDay said that this was industry standard.

NewDay also said it didn't automatically refund any credit balances on customers' cards. It said that this was because some customers may want to spend against that balance. It had received a refund request for Mr B, and it had processed it.

NewDay didn't think it had made a mistake.

Our investigator didn't uphold this complaint. He said that NewDay had told us that the way its refunds are paid onto an account was an industry standard. But, essentially, as long as NewDay were treating all their customers the same, then our investigator said he couldn't say that NewDay had done anything wrong. Our investigator said that he didn't think compensation was required in this case, because NewDay had done what Mr B asked it, when he asked. Our investigator said that Mr B had now closed his account, which is what our service would recommend if someone is unhappy with a business's processes or the service provided.

Mr B didn't agree with that. He said that he'd had to request several times before the money was paid back. And he said that other cards don't all do the same. Some explicitly state that credits made close to the date that a direct debit is due won't reduce that amount.

He said he wanted us to look again at his complaint, because NewDay gave incorrect advice and it was so difficult to get a refund. And he sent us information from other cards, which he said showed that NewDay's statement about standard industry practice is wrong.

Our investigator said that he accepted that some businesses and organisations would deal with credits made by refunds onto the card differently. They won't all follow the same industry approach.

Mr B said that other cards definitely do reduce the direct debit payment onto an account, if credits to the account arrive early enough. And that includes credits which result from a refund. He didn't agree with our investigator, so the case was passed to me for a final decision.

### **my findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I've reached the same overall conclusion on this complaint as our investigator.

I think there's been some confusion in this case about what NewDay was claiming was industry standard. The letter that NewDay sent to Mr B about his complaint said that it was industry standard for refunds to take a few days to be credited to an account. It did not say that it was industry standard for refunds not to be used to reduce a direct debit.

In my experience, it does usually take longer for a refund to be processed onto a credit card account than for a purchase to show on that account. So I accept what NewDay says about this. There's nothing in this case to make me think that NewDay has deliberately slowed down the process of crediting Mr B with a refund.

NewDay doesn't reduce the amount of the monthly direct debit that pays off the card by any amount refunded to the account. Mr B says that there's no industry standard on this, and I think he's right about that. But, as I've said above, I don't think NewDay ever suggested there was.

There are two possible approaches that credit card providers can take to dealing with money refunded onto a credit card account.

Some credit card providers will reduce the amount of the monthly direct debit by amounts refunded onto the card. But that can lead to problems, if customers have returned items and the refund isn't processed in time to reduce the direct debit. Those customers can end up paying more than they expected by direct debit. Or the direct debit payment may fail because the customer doesn't have the full amount available, as they were expecting the refund to cover their monthly payment.

Some credit card providers don't reduce the amount of the direct debit by amounts refunded onto the card. That can also lead to problems, if customers have returned items well before the direct debit is due, and feel that they are being asked to pay more than they really owe.

I don't think either of these approaches is unfair or unreasonable. And, as I hope I've shown, both approaches can lead to problems. So I don't think that NewDay has done anything wrong just because it has chosen the second approach.

NewDay also doesn't automatically refund money that appears on the card account as a credit. It will pay that money back to customers if they ask for it. It says that many customers prefer this.

I appreciate that Mr B doesn't prefer this. He would like NewDay to pay the money back to him automatically, but I don't think it has to do that. It's not unreasonable for NewDay to require Mr B to get in touch if he wants a refund.

Mr B said it took a lot of effort to get his money back. He doesn't think he should have to keep asking for it.

NewDay's terms and conditions say that Mr B can get a credit balance back if he writes to NewDay or rings it. Mr B hasn't told us how he asked for his money back, but I can see that Mr B sent NewDay an email to ask for his balance to be returned. It seems likely that this may have delayed the process, as that isn't one of the ways that NewDay says it will accept a request for a refund of a credit balance.

I think that requesting a refund either in writing or over the phone allows NewDay to implement a higher level of security than it can do if it takes requests by email. So I don't think that it would be unfair or unreasonable for NewDay to ask its customers to use those methods to contact it if they want a refund of any credit balance.

It's clear that this card hasn't suited Mr B, and he has now closed it. But I've looked closely at what NewDay has done, and I don't think it has actually made any mistakes in this case. So, although I know Mr B will be disappointed, I don't think that this complaint should be upheld.

#### **my final decision**

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 10 August 2018.

Esther Absalom-Gough  
**ombudsman**