

The complaint

Miss K complains NewDay Ltd has unfairly recorded adverse information with the credit reference agencies ("CRAs").

What happened

The details of this complaint are well known to both parties, so I won't repeat them again here in detail. But in summary:

- Miss K had a credit card account with NewDay. She complained about adverse information it recorded with the CRAs while she was on a payment holiday.
- NewDay considered the complaint and concluded it hadn't done anything wrong.
- Miss K asked our service for an independent review and the investigator thought NewDay should remove the adverse information it had recorded.
- Miss K accepted the investigator's recommendation. NewDay didn't. So the complaint has been passed to me to decide.

What I've decided – and why

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

To maintain her credit card account – and therefore avoid adverse information being reported to the CRAs – Miss K needed to make at least minimum repayments by certain due dates each month.

When Miss K's 12 April 2020 statement was produced, she was up-to-date and needed to make her next minimum repayment of £212.94 by 7 May 2020. Miss K didn't make this repayment, so when her 10 May 2020 statement was produced it showed arrears of £212.94 and the need to make her next minimum repayment of £188.74 by 4 June 2020.

Miss K didn't make any repayment. But she did call NewDay on 21 May 2020 to say her income had been impacted by the pandemic. NewDay then put Miss K on a payment holiday for three months. This meant for June, July and August 2020 she didn't need to make a payment and no interest or charges would be applied. NewDay followed up the call with a letter which said, amongst other things:

"If there were any amounts due at the time the payment holiday started, you will have to pay these immediately when the payment holiday ends..."

"If you do currently have any payments on your account that are overdue, it is a good idea to try and reduce these during your payment holiday as this will reduce the amount due when your payment holiday comes to an end."

At the start of the payment holiday Miss K had a £188.74 repayment due, and a £212.94 repayment overdue. In June, July and August 2020 NewDay didn't send Miss K statements.

Instead it sent letters to say she was in a payment holiday and a transaction summary, which just showed her account balance.

On 31 August 2020 NewDay sent Miss K a reminder her payment holiday was due to end on 10 September 2020. It said, in summary, she'd need to start making minimum repayments again and any repayments due before the payment holiday began would be immediately payable on 10 September 2020.

A statement was produced on 10 September 2020. This said arrears of £401.68 (£212.94 + £188.74) were due immediately and a minimum payment was due by 5 October 2020 for £53.23. This was followed by a default notice on 18 September 2020. Miss K called NewDay, said she was still off work, satisfied the default notice and declined a payment holiday extension. She then went on to make some large payments to the account to reduce her balance, which I understand has since been repaid in full and the account closed.

In October 2020 Miss K found NewDay had recorded missed payments for May, June, July and August 2020. She didn't think this was fair as she says during the 21 May 2020 call she was clear about the need for the payment holiday not to adversely impact her credit file and says she was informed many times her account was up to date. She further says had she known adverse information would be reported to the CRAs she wouldn't have entered the payment holiday.

NewDay doesn't have a recording of the 21 May 2020 call and the contemporaneous note lacks detail. NewDay hasn't directly challenged Miss K's recollection of the call. Instead, it's relied on the contents of its letters. In my view, however, it's more likely than not NewDay could have done more on the call. I'll explain why.

When Miss K called NewDay in May 2020 the Financial Conduct Authority ("FCA") had already released guidance on ways lenders could support borrowers impacted by the pandemic. Miss K said she was impacted and NewDay ought to have known at this point she had some arrears. I consider it would have been fair and reasonable for NewDay to have applied the payment holiday to take the arrears into account and therefore set the plan to start from April 2020. This would have prevented adverse information being reported to the CRAs.

In any case, I'm persuaded by Miss K's testimony about how she would (and could) have cleared the arrears and gone without a payment holiday had it been made clear to her the impact this matter would have on her credit file. So even if I were to conclude NewDay shouldn't have applied the payment holiday from an earlier date, I'm satisfied it's lack of clear information regarding the account position and the impact on Miss K's credit file has caused her to lose out.

I'm therefore going to require NewDay to remove adverse information from Miss K's credit file for May, June, July and August 2020. NewDay offered Miss K £25 compensation in its final response letter. I'm satisfied that's a reasonable amount in the circumstances so NewDay should pay Miss K £25, if it hasn't already done so.

Putting things right

NewDay Ltd should:

- remove adverse information from Miss K's credit file for May, June, July and August 2020; and
- pay Miss K £25, if it hasn't already done so.

My final decision

I uphold this complaint and require NewDay Ltd to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K to accept or reject my decision before 22 April 2022.

James Langford
Ombudsman