

The complaint

Miss N complains that NewDay Ltd trading as Debenhams reduced her credit limit and cancelled her direct debit before passing her account to a debt recovery department.

What happened

Miss N says she had a direct debit in place to pay her Debenhams credit card account. She says she received an e-mail from Debenhams on 14 February 2019 telling her that her direct debit would be reducing to zero. Miss T says she then cancelled her direct debit but she started receiving messages from Debenhams telling her she owed it money. She says she refused to pay any money as Debenhams wouldn't explain what had taken place. Miss N says Debenhams has now passed her account to a third party business to collect the debt and has caused her distress and its actions have affected her credit score.

Miss N would like Debenhams to pay her compensation for what's taken place and reinstate her agreement to pay the debt.

Debenhams says Miss N made a payment in store on 12 February 2019 for just over £30. It says as a result it stopped the direct debit for that month and wrote to Miss N to tell her. Debenhams says Miss N then cancelled the direct debit agreement and didn't make any further payments to the outstanding balance. It says it sent her statements and letters telling her that there was an outstanding balance and as no payments were received it acted in line with account terms and conditions by closing the account and sending her default letters.

Miss N brought her complaint to us but our investigator didn't uphold it. The investigator thought Debenhams hadn't made a mistake by reducing the direct debit for February 2019 following Miss N's payment in store. And wrote to Miss N telling her the direct debit had changed for that month. The investigator thought Miss N ought to have known there was an outstanding balance as she would have received letters and statements and told us there was a balance owed. The investigator also thought Debenhams has acted in line with account terms and conditions by taking the steps it did in sending the default notice and passing the debt to a third party business to collect it.

Miss N doesn't accept that view and says she was unaware of the balance.

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. Having done so I have come to the same overall decision as the investigator and for the same reasons.

I'm satisfied that Miss N made a payment in store towards her outstanding credit card balance of just over £30 in February 2019. I can see that as a result of that payment Debenhams reduced Miss N's direct debit for that month to zero and wrote and told her that. I don't think that letter said every direct debit payment would be zero or gave any indication

that Miss N had repaid the full balance as the letter clearly contained the outstanding balance Miss N owed. So in those circumstances I don't know why Miss N cancelled the direct debit agreement or thought she no longer owed Debenhams any money. I also think that Miss N ought to have been aware that there was an outstanding balance as she continued to use the credit card and received regular account statements.

I'm also satisfied that Debenhams wrote to Miss N on numerous occasions about the outstanding balance and sent her regular account statements which I think showed the balance, spending and the interest and charges being added to the account. I appreciate that Miss N says she wanted an explanation from Debenhams before making any payments but I'm satisfied she did receive such an explanation and didn't make the required payments.

I find that Debenhams acted in line with the account terms and conditions which I think Miss N would have agreed to when the account was opened by cancelling the agreement. I also think Debenhams acted fairly by sending Miss N the default notice as I'm satisfied that the relationship between the parties had broken down as Miss N hadn't made a required payment for a considerable period of time. It's not clear if a default has been registered on Miss N's credit file. But I'm satisfied Debenhams is obliged to accurately report the position of Miss N's account to the Credit Reference Agencies and if a default has been registered then I don't think that it's made a mistake or acted unfairly.

I don't think Debenhams made a mistake by passing Miss N's account to a third party business for collection. I think it's up to Debenhams to make such a decision when exercising its commercial judgement but in any event I can see that it has kept control of Miss N's account.

Overall I'm satisfied that Debenhams hasn't made a mistake or acted unfairly and so I can't order it to pay Miss N the compensation she would like. For the reasons I have explained I find that Miss N ought to have known about the outstanding balance and was obliged to repay it. If Miss N is in financial difficulties then I hope she will speak to Debenhams or any of the organisations, details of which she has been given, that may be able to help her. I also make clear that I have not seen any evidence of Miss N's credit limit being reduced just the agreement ending for the reasons I have set out.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss N to accept or reject my decision before 21 May 2020.

David Singh
Ombudsman