

The complaint

Mrs K is unhappy that NewDay Ltd trading as Debenhams (Debenhams) charged her a cash advance fees and interest on her credit card when she used it to purchase an item.

When I refer to what Mrs K and/or Debenhams said or did, it should also be taken to include things said or done on their behalf.

What happened

In November 2024 Mrs K used her Debenhams credit card to purchase a piece of jewellery for around £500. Mrs K is unhappy because Debenhams charged her £15 for the advance, plus associated fees and interest. She said she also paid £2.55 for a recorded delivery letter to the bank.

In February 2025, Debenhams wrote to Mrs K. In this correspondence they said they had not made an error because the transaction Mrs K made was with a merchant that was classified as a cash transaction. So, they said, that wire transfers, investments, or trading and payments to another financial institution that are classed as purchases will be treated as cash transactions. Debenhams said that from October 2023, when a customer makes these types of transactions they will be processed as cash transactions. As such, interest will be calculated daily and cash advance fees will be incurred. Debenhams explained that they sent an email detailing this change to all customers who had previously used these merchants in the past six months prior to the October 2023 date.

Mrs K was not happy, so she referred her complaint to Financial Ombudsman Service (Financial Ombudsman).

Our investigator was of the opinion that the complaint should be upheld and that the fairest way to resolve Mrs K's complaint is for Debenhams to refund the cash advance fee along with all interest, as well as any fees and charges subsequently applied. Plus, the investigator felt that Debenhams should pay Mrs K £100 for the amount of trouble and upset caused.

Debenhams disagreed with the investigator. 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.

Where evidence is unclear or in dispute, I reach my findings on the balance of probabilities – which is to say, what I consider most likely to have happened based on the evidence available and the surrounding circumstances.

In considering what is fair and reasonable, I need to take into account the relevant rules, guidance, good industry practice, the law and, where appropriate, what would be considered good industry practice at the relevant time.

I have summarised this complaint very briefly, in less detail than has been provided, and largely in my own words. No discourtesy is intended by this. If there is something I have not mentioned, I have not ignored it. I have not commented on every individual detail. But I have focussed on those that are central to me reaching, what I think is, the right outcome. This reflects the informal nature of the Financial Ombudsman as a free alternative to the courts.

Debenhams said that wire transfers, investments, or trading and payments to another financial institution that are treated as purchases will be treated as cash transactions. They also said that from October 2023, when a customer makes these types of transactions they will be processed as cash transactions, so interest will be calculated daily, and cash advance fees will be incurred. They also said that the place where Mrs K bought her jewellery item buys and sells second hand goods and offer pawnbroking and logbook money services. Debenhams said the shop is not the run of the mill high street retailer given the nature of their business and how they operate. As such, Debenhams said it's not unusual for the transaction to be processed as a cash transaction. Furthermore, they said they have no control over how the merchant processes these transactions.

Debenhams explained that they sent an email detailing the change to all customers who had previously used these merchants in the past six months prior to the October 2023 date. They explained that this was a change to align with the industry practice of how these transactions are treated.

I have taken into consideration what Debenhams have said, but I do not think, in this specific case, it is fair and reasonable for Mrs K to incur, or experience, any loss or negative impact due to this change. The reason I say this is because from the available evidence on file it seems that Mrs K was never made aware of this change. Debenhams confirmed to our service that Mrs K had not been sent such an email explaining the changes because she did not make any cash related transactions in the six months prior to October 2023. So, I do not think it would be fair and reasonable for her to be impacted negatively especially as Debenhams should have provided clear, fair and not mis-leading information to Mrs K, to ensure she could make an informed choice. Moreover, Debenhams confirmed that they have not communicated this change to Mrs K at all.

Taking everything into consideration, I think it is fair and reasonable, in this specific case, that Debenhams should refund any associated fees and interest they applied to the transaction, if this has not yet been done.

Debenhams should also pay £100 compensation to reflect the impact this situation had on Mrs K. This amount fairly reflects any distress and inconvenience caused to Mrs K plus it covers any other costs and losses such as her being deprived of using that money, considering she paid her credit card in full that month.

It seems Mrs K is also concerned about Debenhams and other financial institution's practices as a whole and specifically how they deal with certain transactions. However, I would like to point out that it is not within the remit of the Financial Ombudsman to tell Debenhams, or other financial institutions, how they should structure their internal processes. Instead, I'm required to decide whether in the specific circumstances of Mrs K's complaint Debenhams needs to do anything to put things right for her. In other words, has she suffered any financial loss or material distress and/or inconvenience as a result of anything that Debenhams did. As such, this is exactly what I have done above.

My final decision

For the reasons given above, I direct NewDay Ltd trading as Debenhams to:

- Refund any associated fees and interest they applied to the transaction in question, if this has not yet been done.
- Pay £100 compensation to reflect the impact this situation had on Mrs K.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs K to accept or reject my decision before 21 October 2025.

Mike Kozbial
Ombudsman