

The complaint

NewDay Ltd, trading as Debenhams, provided Miss B with a credit card in 2019. It had a credit limit of £500. Debenhams then increased the credit limit as follows:

Credit Limit Increase (CLI)	New Limit	Effective date
CLI one	£1,500	January 2020
CLI two	£3,000	August 2020
CLI three	£4,500	January 2021
CLI four	£6,500	June 2021
CLI five	£8,000	October 2021

Miss B says the credit was provided irresponsibly.

What happened

The details of this complaint are well-known to both parties, so I won't repeat them here. The facts aren't in dispute, so I'll focus on giving the reasons for my decision.

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 considered everything, I'm upholding Miss B's complaint and I'll explain why.

We've set out our general approach to complaints about unaffordable or irresponsible lending on our website, and I've taken this into account in deciding Miss B's case.

Debenhams considered information Miss B provided in her application, verified her income, gathered information from a credit reference agency (CRA) and used modelling to calculate cost of living expenses, before providing the credit card. Its checks suggested Miss B had a healthy disposable income after her essential spend and existing credit commitments.

Debenhams used a similar process prior to each CLI, but for Miss B's income it used Current Account Turnover data (CATO), which is information supplied by a CRA, and described as a calculation of customer income based on current account turnover, or in other words, the amounts going through a customer's bank account.

Having reviewed the information and approach used by Debenhams, I am comfortable with its decision to provide the credit card and for CLI one, which increased the limit to £1,500 in January 2020.

However, that is not the case for CLI two. When CATO is used, there is a risk that the assessed income could be distorted by how a customer manages their account, and Debenhams should bear this in mind when considering the proportionality of their checks and whether it should investigate further.

For CLI two, the CATO assessed income was nearly 40% higher than Miss B had declared in her application, approximately 16 months earlier. As her monthly credit commitments had

also more than doubled during the same period, I think Debenhams should have taken further steps to validate Miss B's income, to ensure affordability.

There's no set way for how Debenhams should have carried out further checks; it could have asked Miss B about her income or, if it felt appropriate, it could have reviewed her bank statements.

In reaching my decision, I have used Miss B's bank statements as it is an easy way for this service to understand what proportionate checks would have likely revealed. For CLI two, her income for the preceding three months averaged around £1,460 which is considerably less than the CATO figure of around £2,280.

If Debenhams had done similar proportionate checks, I think it's likely that it would have realised Miss B was unlikely to be able to sustainably make the repayments, as that is what I have found.

This means I don't think Debenhams should have increased the credit limit to £3,000 or therefore the increases that followed.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I'm awarding in this case, as set out below, results in fair compensation for Miss B in the circumstances of this complaint. I'm therefore satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Putting things right

As I don't think NewDay ought to have increased the credit limit to £3,000, I don't think it's fair for it to be able to charge any interest or charges under the credit agreement. But I think Miss B should pay back the amounts she borrowed. Therefore, NewDay Ltd should:

- Rework the account removing all interest, fees, charges and insurances (not already refunded) that have been applied to balances above £1,500 after 14 August 2020.
- If the rework results in a credit balance, this should be refunded to Miss B along with 8% simple interest per year calculated from the date of each overpayment to the date of settlement*. NewDay should also remove all adverse information recorded after August 2020 from Miss B's credit file.
- Or, if after the rework the outstanding balance still exceeds £1,500, NewDay should arrange an affordable repayment plan with Miss B for the remaining amount. Once Miss B has cleared the outstanding balance, any adverse information recorded after 14 August 2020 in relation to the account should be removed from her credit file.

*HM Revenue & Customs requires NewDay to take off tax from this interest. NewDay must give Miss B a certificate showing how much tax it's taken off if she asks for one.

My final decision

My final decision is that I'm upholding this complaint and NewDay Ltd, trading as Debenhams, must put things right as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 18 March 2026.

David Barker

Ombudsman