

The complaint

Mrs J complains that NewDay Ltd trading as John Lewis Credit Card have irresponsibly lent to her.

What happened

Mrs J was approved for a John Lewis credit card in December 2023, with a £1,200 credit limit. The credit limit was increased a further three times: in August 2024 (£2,000), December 2024 (£3,000), and May 2025 (£3,500). Mrs J says that John Lewis irresponsibly lent to her. Mrs J made a complaint to John Lewis, who did not uphold her complaint. John Lewis said that their affordability checks were appropriate and proportionate. Mrs J brought her complaint to our service.

Our investigator did not uphold Mrs J's complaint. He said that John Lewis should have completed further checks for the first credit limit increase, however, further checks would have shown this lending decision was fair, and so were the other three lending decisions. Mrs J asked for an ombudsman to review her complaint.

As my findings differed in some respects from our investigator's, I issued a provisional decision to give both parties the opportunity to consider things further. This is set out below:

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

Before agreeing to approve or increase the credit available to Mrs J, John Lewis needed to make proportionate checks to determine whether the credit was affordable and sustainable for her. There's no prescribed list of checks a lender should make. But the kind of things I expect lenders to consider include - but are not limited to: the type and amount of credit, the borrower's income and credit history, the amount and frequency of repayments, as well as the consumer's personal circumstances. I've listed below what checks John Lewis have done and whether I'm persuaded these checks were proportionate. I will list these in date order of the lending decision.

Acceptance for the credit card

I've looked at what checks John Lewis said they completed prior to accepting Mrs J's application. I'll address the further lending decisions later on. John Lewis said they looked at information provided by Credit Reference Agencies (CRA's) and information that Mrs J had provided before approving her application.

The information showed that Mrs J had declared a gross annual income of £45,000. The CRA reported that Mrs J had defaulted on no accounts, and they reported no public records such as a County Court Judgement (CCJ). Mrs J was not showing as being in arrears on any of her active accounts at the time of John Lewis's application checks. The CRA also reported she hadn't been in arrears on any of her active accounts for the six months prior to John Lewis's checks.

John Lewis also completed an affordability assessment using information from a CRA (for Mrs J's monthly credit commitments) and modelling (which is an industry standard way of estimating outgoings) to assess Mrs J's outgoings. The net income figure used in the calculation was £2,993.30. The affordability assessment showed that the repayments for a £1,200 initial credit limit should be affordable and sustainable for Mrs J.

So I'm persuaded that John Lewis's checks were proportionate here, and they made a fair lending decision to approve the account, and to provide Mrs J with a £1,200 credit limit.

August 2024 credit limit increase - £1,200 to £2,000

A CRA reported that Mrs J's active unsecured debt was £11,275. But I can see that in the month prior to these lending checks, her active unsecured debt was £37,260. This is a significant reduction, which it doesn't appear that Mrs J could afford to make this reduction from her income (although I can't rule out she received a windfall, such as an inheritance). The CRA's reported that Mrs J had not been in arrears on any active external accounts since the account had been opened.

John Lewis would have also been able to see how Mrs J managed the account since it had been opened. Mrs J incurred two overlimit fees shortly before the credit limit increase. At one point John Lewis had also put a block on the account. So based on Mrs J's management of the account, I'm persuaded that John Lewis should have completed further checks here.

John Lewis did complete an affordability assessment for this lending decision. They used Current Account Turnover (CATO), which is an industry standard way of assessing income. But when there is a disparity between what Mrs J last told them her income was, then I would expect them to make further checks if there is other concerning data shown in the checks.

Here, the CATO showed £6,943 a month as opposed to the original net monthly income John Lewis used of £2,993.30. While I can't rule out a pay rise or a promotion for Mrs J to explain the difference, I'm persuaded further checks were needed here, especially due to the discrepancy between the unsecured debt figures in the space of one month.

There's no set way of how John Lewis should have made further proportionate checks. One of the things they could have done was to contact Mrs J to ask her what she genuinely earned, why she had overlimit fees, and if she made repayments of around £26,000 towards her debt in the previous month. Or they could have asked for her bank statements as part of a proportionate check to ensure the lending was sustainable and affordable for her.

Mrs J has provided her bank statements leading up to this lending decision. But for one of the statements, she's sent her 2025 statement instead of her 2024 statement, so I've had to disregard this. On the other two statements, Mrs J's salary is slightly lower than what she declared originally, but there is other income she receives, which she's explained is for additional work she completes, therefore her net monthly income at times is higher than what she originally declared, but I'm mindful this isn't guaranteed.

Mrs J's statements do show signs of financial difficulty. Her statements show that on her statement dated 10 June, there were £3,347.25 of direct debits which were attempted to debit her account, and on her statement dated 9 August 2024, there were £3,293.50 of direct debits which were attempted to debit her account. These two amounts are more than her normal income for her role. And that is without considering other priority expenditure she needed to pay such as food.

In addition to this, Mrs J has a £3,000 overdraft, which she is often close to the overdraft

limit. But on each statement, there are multiple transactions which take her into an unauthorised overdraft.

Further examples of financial difficulties are that she has five returned direct debits returned unpaid (two on her June 2024 statement, and three on her August 2024 statement). The last transaction on her August 2024 statement – which would have been produced weeks prior to the credit limit increase, was that she took out a secured loan for £3,000. So Mrs J would have even more outgoings if I factored in the repayments for this secured loan.

Due to the two statements both showing direct debits which were more than Mrs J's salary credit, her entering an unarranged overdraft, her having returned direct debits, and her taking out further borrowing – secured on her property – prior to this credit limit increase, then I'm not persuaded that it would have been proportionate to have asked Mrs J for further statements such as her July 2024 statement, as if John Lewis would have only viewed these two bank statements, then they would have realised that Mrs J was having financial difficulties prior to this credit limit increase, and therefore I'm not persuaded they would have agreed to increase the credit limit here. So I can't fairly say that they made a fair lending decision here.

Further credit limit increases

If Mrs J's credit limit was not increased to £2,000, then it's probable that the further lending decisions wouldn't have happened after this either. So I think there is an argument for saying that Mrs J's complaint about the subsequent lending decisions should be upheld without making a finding on reasonable and proportionate checks. After all, if matters had played out as the evidence suggests they should have done in August 2024, then I'm not persuaded that John Lewis would've added to the credit.

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 have directed at the end of this decision results in fair compensation for Mrs J in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case."

I invited both parties to let me have any further submissions before I reached a final decision. Mrs J accepted the provisional decision. NewDay did not respond to the provisional 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.

As neither party have provided me with any further information to consider, then my decision and reasoning remains the same as in my provisional decision.

Putting things right

In the provisional decision I said I intend to uphold this complaint in part. I said I intend to ask NewDay Ltd trading as John Lewis Credit Card to take the following actions;

John Lewis should arrange to transfer any debt back to themselves if it has been passed to a debt recovery agent or liaise with them to ensure the redress set out below is carried out promptly;

Rework the account removing all interest, fees, charges, and insurances (not already refunded) that have been applied to balances above £1,200 after 27 August 2024;

If the rework results in a credit balance, this should be refunded to Mrs J along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. John Lewis should also remove all adverse information regarding this account from Mrs J's credit file recorded after 27 August 2024;

Or, if after the rework the outstanding balance still exceeds £1,200, John Lewis should arrange an affordable repayment plan with Mrs J for the remaining amount. Once Mrs J has cleared the balance, any adverse information recorded after 27 August 2024 in relation to the account should be removed from her credit file.

I'm still satisfied this is a fair outcome for the reasons given previously.

**If John Lewis considers that they are required by HM Revenue & Customs to deduct income tax from that interest, they should tell Mrs J how much they've taken off. They should also give Mrs J a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.*

My final decision

I uphold this complaint in part. NewDay Ltd trading as John Lewis Credit Card should settle the complaint in line with the instructions in the "Putting things right" section above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs J to accept or reject my decision before 13 March 2026.

Gregory Sloanes
Ombudsman