

The complaint

Miss S complains NewDay Ltd trading as Debenhams Credit Card (“NewDay”) acted unfairly by reducing her credit card limit and reporting a missed payment.

What happened

Miss S held a credit card account with New Day which she’d maintained for a number of years. She’d set up a direct debit from her bank in August 2015, to ensure the minimum repayment was made. However, in June and July 2025 Miss S found monthly payments hadn’t been made, she’d incurred interest and charges, NewDay had reported missed payments and reduced her credit limit. As a result, Miss S complained.

NewDay reviewed matters but didn’t think it had acted unfairly. It said Miss S’ direct debit instruction had been removed, so as she’d missed two payments, it had applied interest and charges correctly. And in line with its policy, it had made the decision to reduce Miss S’ credit limit. It also said it was unable to remove this information from her credit file. However, as a gesture of goodwill, it refunded the two late fees and interest that had been applied. As this didn’t resolve matters, Miss S contacted this Service.

An Investigator here reviewed matters and initially said NewDay should have notified Miss S the direct debit instruction had expired. Had it done so, our Investigator considered Miss S wouldn’t have missed the payments. So in addition to refunding interest and charges, they said NewDay should remove the late payment markers from Miss S’ credit file and pay £150 compensation. They didn’t however think it would be fair to ask NewDay to reinstate Miss S’ original credit limit.

NewDay didn’t agree. It explained it wasn’t notified the direct debit had been removed until after it had tried to collect payment. And subsequently it asked Miss S to set up a new direct debit instruction and make payment, which didn’t happen until 31 July 2025. It also referred to the direct debit scheme rules which said dormant direct debit instructions would be removed by the paying bank, as appeared to be the case here. So it said this wasn’t something it could be held responsible for. While it agreed to update Miss S’ credit file, in resolution of the complaint, it didn’t agree to pay £150 compensation.

Our Investigator looked at everything again. And based on this information agreed NewDay couldn’t be held responsible for what happened here. As such, they considered NewDay’s offer of refunding interest and charges, along with removing the information from Miss S’ credit file was reasonable.

Miss S didn’t agree and said through no fault of her own she’d been caused distress and inconvenience. She also said, as it had been acknowledged this wasn’t her fault, NewDay should reinstate her credit limit and pay £150 compensation.

As no agreement could be reached, 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.

In doing so, I've taken into account the relevant industry rules and guidance, and what would be considered as good industry practice.

As a starting point I want to set out that prior to Miss S bringing her complaint to this Service, NewDay refunded the interest and charges associated with the two payments Miss S had missed. Following our Investigator's opinion, it's also since agreed to remove the late payment markers from Miss S' credit file, which seems reasonable. As such, all that's outstanding is whether Miss S' credit limit should be reinstated, and whether she should be compensated for what's happened. While I understand Miss S may feel she's not responsible for this, it'd only be fair to require NewDay to take further action if I'm satisfied it has made an error.

In May 2025, NewDay sent Miss S her monthly statement. This said the minimum payment of £5 was due on 19 June 2025 and if this wasn't received, interest and charges would be incurred.

Because this payment wasn't received, and the direct debit instruction failed, NewDay wrote to Miss S on 20 June 2025, advising Miss S to set up a direct debit and make payment. It also explained if payment wasn't received, a late payment fee would be charged. Payment wasn't received, so NewDay applied interest and charges to her account.

All parties are in agreement Miss S previously had a direct debit instruction in place to pay the minimum monthly amount on her NewDay credit card. However, NewDay has shown this was last used in March 2019 and as such when it attempted to collect payment in June 2025, it was returned unpaid. As a result, Miss S missed the monthly payments in June and July 2025.

It might help to explain, the direct debit scheme rules created a dormancy rule, which sets out that where a direct debit hasn't been used for a certain period it will be removed by the bank. This will also generally result in a direct debit being returned by the paying bank as "no instruction" – as was the case here.

When the bank does this, I generally wouldn't expect a credit card company, such as NewDay to be notified. So when NewDay attempted to collect Miss S' direct debit in June 2025, I can't see that it would have been aware this had been removed. As such, I can't agree NewDay made an error in trying to collect this payment or by not notifying Miss S before June 2025 it had been removed.

As payment wasn't made, NewDay wrote to Miss S on 25 June 2025, explaining she'd missed the last payment, it had applied a late payment charge and interest, and it required the next minimum payment by 21 July 2025 – which also wasn't received.

Miss S subsequently made payments on 31 July and 6 August 2025. But as these weren't made by the due dates, NewDay was entitled to apply interest and charges in line with its terms and conditions, so I can't agree it acted unfairly in doing so. NewDay did what I'd expect here and, on both occasions, notified Miss S the payments had been missed. And it let her know the direct debit instruction had failed, once it became aware of this through trying to collect the payments.

I'm aware Miss S has said she was on holiday at the time and has also said she didn't

receive the letters NewDay sent. But I need to be persuaded the letters were sent by NewDay – and I am. The fact Miss S didn't receive them isn't something I can hold NewDay responsible for. I have taken on board Miss S' comments that she thought she had a direct debit instruction in place, but as I've explained above, I can't hold NewDay responsible for this being removed either.

When a payment is missed, NewDay is required to report accurate and up to date information to CRA's. So when two payments were missed, and NewDay hadn't heard from Miss S, I can't agree it acted unfairly initially in reporting this information. That said, Miss S was in an unfortunate position here, so I'm pleased to see NewDay have since agreed to remove the late payment markers along with the interest and charges.

Miss S' credit card account entered arrears, because two payments were missed, so NewDay made the decision to reduce her credit limit on 29 July 2025. This is a decision NewDay was entitled to make, the terms and conditions of Miss S' account allow for it. It says:

"NewDay regularly review credit limits to make sure that customers have the credit limit that we believe is right for them. We are committed to lending responsibly and so our lending policy ensures that our customers don't become overburdened with debt."

Given NewDay made the decision to reduce Miss S' limit prior to any payment being received, and it notified her of this, I can't say it acted unfairly and nor can I require it to restore Miss S' credit limit as a result.

I was sorry to hear of the impact this situation has had on Miss S. She's said through no fault of her own, this has had a negative impact on her credit standing and limit with NewDay and caused her significant distress and inconvenience.

However, in order to uphold this aspect of Miss S' complaint, I need to be satisfied an error caused solely by NewDay led to these issues. But as I've explained above, I haven't found NewDay made an error here, so it would be unfair to ask it to pay compensation for the situation Miss S is now in. And as explained, it was also entitled to reduce her credit limit when the payments were missed.

I've also taken into account that NewDay has already offered to remove the interest and charges along with the information reported on Miss S' credit file. Which seems reasonable, given everything that's happened. So it would be unfair to ask it to take further action in relation to these issues.

Taking everything into account, while I appreciate this will come as a disappointment to Miss S I don't think NewDay acted unfairly here. It wasn't aware the direct debit instruction had been removed, so it was unable to notify her of this before it did. And as payments were missed it was entitled to reduce Miss S' credit limit, apply interest and charges, and report this information to CRAs. As such, I think the steps NewDay has already agreed to fairly resolve matters and it would be unfair to require it to do anything further or pay Miss S compensation.

NewDay has already refunded the interest and charges, so I won't be asking it to do anything more than remove the late payment markers from Miss S' credit file.

My final decision

NewDay Ltd trading as Debenhams Credit Card has already made an offer to refund interest and charges and remove the late payment markers from Miss S' credit file, and I think that offer is fair in all the circumstances of the case.

As it has already refunded interest and charges, my decision is NewDay Ltd trading as Debenhams Credit Card should remove the late payment markers from Miss S' credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 22 April 2026.

Victoria Cheyne
Ombudsman