

The complaint

Miss B complains that payments she was making to a store card, she had with Home Retail Group Card Services Limited (trading as Argos Card Services “Argos”), were mishandled. Miss B also says that Argos unfairly referred her account to a debt collection agency.

What happened

Miss B has a store card with Argos. The card could be used to purchase things from Argos, and also to pay for shopping in a supermarket.

Miss B says she used the card to purchase items on buy now pay later plans (“BNPL”). These plans allowed Miss B to spread the cost over a set number of months and, as long as the plan was fully paid off by the end of the agreed time, no interest would be charged. She also used the card for other items and so there was also a general credit balance. The general balance accrued interest which was added monthly.

Miss B says that Argos has made administrative errors on her account in the way it has allocated payments she was making. She also says she has found the statements unclear as to what payment has been deducted from which balance. Miss B says she thinks the balance is incorrect and interest has been added when it shouldn’t have been. In particular, Miss B says a BNPL was wrongly allocated to her general credit balance, and when she reported this to Argos it had promised to reallocate payments, but there had been issues ever since.

Miss B also says that she was upset Argos had passed her account on to a debt collection agency as this was unfair and caused her unnecessary stress.

Miss B complained to Argos about its handling of her account. Argos didn’t uphold her complaint. It provided copies of her past statements and said that, after reviewing her account, it was satisfied that payments had been allocated correctly in line with the terms and conditions of the card. It also said that payments had been directed as Miss B had requested during various phone calls with her.

Argos said that as Miss B was being assisted by a third party with the administration of her account it had been passed to the debt collection agency to liaise with her and make an arrangement for the outstanding balance.

Miss B was unhappy at Argos’ response and so complained to this service. Our investigator recommended that Miss B’s complaint should be partially upheld.

Our investigator said, looking at the statements that had been provided, they set out the information he’d expect to see such as the separate BNPL details, minimum payment for the general credit balance and the interest that would be added if that balance wasn’t cleared. He said he’d checked the payments that had been made and couldn’t see any that had been incorrectly applied. Payments were usually allocated in the following order; minimum payment due on the general credit balance, interest and then BNPL. However, Argos had

allocated payments to different parts of Miss B's account as and when she had requested this.

Looking at the statements that had been provided our investigator said that the account had exceeded its credit limit on five occasions between August 2018 and March 2019. And, from March 2019, the minimum payment hadn't been met. He said after reviewing the evidence he thought Argos had acted fairly in the administration of Miss B's account.

However, our investigator said, although he thought that Argos would have reason to pass Miss B's account to a debt collection agency due to the way it had been managed, this wasn't the reason it had given for doing so. Argos had said it was because Miss B was being assisted by a third-party, but it had now reviewed this decision and had accepted it shouldn't have done so. Argos had recalled Miss B's account and stopped any debt collection action. Argos planned to contact Miss B and discuss an affordable repayment plan. Our investigator said that Argos would be entitled to review the decision to recall if no arrangement was put in place and payments were made to clear the account.

Miss B disagreed with our investigator's view. She said the outcome was unfair and she didn't think she owed any money. Miss B also says that she has again been contacted by a debt collection agency.

As the parties were unable to agree the complaint has been passed to me.

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 reaching my decision I've gone through the statements provided for Miss B's account, as well as the contact notes between Argos and Miss B. I've seen that Miss B feels the errors have escalated from December 2018, when there was an error over one of the BNPL transactions being added to her general credit balance, when she had in fact paid it off. However, I have seen that, prior to that debt, Miss B had exceeded her credit limit requiring additional sums to be paid.

Looking at the statements I can see a BNPL plan, that was for an amount of £135 ended in November 2018, and that it was the deferred interest for that plan, amounting to £17, that was incorrectly added to the general credit balance. The actual £135 doesn't appear to have been added to the general credit balance, as this had been cleared. As Miss B had actually paid off this plan before the due date there should have been no deferred interest to be added. I've seen that this interest was credited back to Miss B in January 2019, following her raising it with Argos. So, I am satisfied, once this adjustment had been made, the balances showing as outstanding on her card for both the general credit and the BNPL plans were correct.

As stated above the card statements set out two balances. This is because Miss B uses her card for both BNPL, and also for other more general use, she has two balances showing on her statements. Interest accrues monthly on the general balance and the amount of interest to be added to the general credit balance, if it isn't cleared, is displayed at the start of the statement, as is the minimum payment that's required to be made. Miss B has a larger outstanding balance for general credit than under the combined BNPL plans, so is accruing interest regularly on that balance.

I've seen Miss B works out the payments required to clear the BNPL plans before the interest is to be added but, as she also using the card at the supermarket, then the balance

on the general credit often increases each month. I've seen that the balances for the BNPL do decrease in line with the payments she was making towards them, and these payments appear to have been allocated as she requested to Argos. Payments were also shown as going towards the general credit balance.

So, I am satisfied that Argos has administered her account correctly and that there isn't an error on the balances.

I appreciate Miss B was upset that her account had been passed to a debt collecting agency after she sought assistance from a third-party, and I've seen Argos accepted that was an error and recalled her account. So, I agree that that action was taken for the wrong reasons. But, looking at the statements I've seen, there were missed payments under the account, so I don't think it would be unreasonable for it to have considered referring the account to a debt collecting agency.

I've also seen that Miss B has health issues and I would expect Argos to take those into consideration and treat her sympathetically when dealing with the outstanding balance on this account. However, I've seen Miss B says she has again been contacted by a debt collection agency over this account. If she thinks this referral has been unfair then she should raise this with Argos to allow it to investigate first.

So, for the reasons given above, I'm not upholding Miss B's complaint as to Argos' handling of her account as I think it has acted fairly and in line with the terms and conditions. I do agree that Argos shouldn't have referred Miss B's account to a debt collecting agency on the basis she was receiving assistance from a third-party. However, as Argos at that time took the account back, I'm not going to ask it to do more.

My final decision

For the reasons given above I'm not upholding Miss B's complaint as to the handling of her account by Home Retail Group Card Services Limited. I am upholding her complaint that her account shouldn't have been referred to a debt collection agency on the basis she was receiving third-party assistance.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 9 March 2021.

Jocelyn Griffith
Ombudsman