

The complaint

X complains Home Retail Group Card Services Limited (trading as “Argos”) have asked her to increase the monthly payment on her store card, and they will suspend her account if she doesn’t.

What happened

X took out an Argos store card several years ago. In June 2019, Argos identified X’s account had been in “persistent debt” for 18 months – meaning more had been paid towards interest and charges than had been paid to reduce the outstanding balance. Argos wrote to X asking her to pay more than the minimum monthly payment in order to clear the balance sooner.

Argos informed X in March 2020 that the account was still in persistent debt. Around nine months later, the account had been in persistent debt for 36 months. Argos wrote to X and said she would need to contact them within 60 days to confirm whether she:

- Could repay the balance in full; or
- Pay more each month; or
- Couldn’t afford to pay more.

The letter said the account would be suspended if X didn’t respond, or if she couldn’t increase the monthly repayment. X was unhappy with this as she didn’t want the account to be suspended, so she raised a complaint. Argos sent X their final response and said they had an obligation to help her repay the balance more quickly - and as she couldn’t pay more, they would need to suspend the account instead to help her reduce the balance. Unhappy with their response, X referred the complaint to our service.

An investigator looked into the complaint and didn’t uphold it. He said Argos had been fair to write to X as this was a regulatory requirement set by the Financial Conduct Authority (‘FCA’). He said it was reasonable they would suspend the account so that X could pay off the balance more quickly given the length of time the account had been in persistent debt for.

X disagreed with the investigator’s findings and so the complaint has been passed to me for a final 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.

In March 2018, the FCA issued new rules and guidance about persistent debt. Businesses have an obligation to identify accounts where more has been paid towards interest and charges than to the borrowing. Under the guidelines, if an account falls into persistent debt Argos are required to send out a series of correspondence, informing customers of the steps they can take to reduce the balance more quickly.

For any accounts in persistent debt for 36 months or more, Argos have a responsibility to help the borrower try and reduce the balance. If the borrower is unable to increase their monthly payments, the regulations set out that it may be necessary for accounts to be suspended or cancelled in order to ensure the balance is repaid within a reasonable period.

Argos identified X in persistent debt, and so were obliged to follow the guidelines as outlined above and contact her about this. Having reviewed the letters, I can see the content is in line with the FCA's guidance – this includes X being informed the account could be suspended. And so, Argos acted fairly and reasonably by sending the letters to X although I appreciate it caused her upset when she received them.

Argos have now said they will suspend X's account as she is unable to pay more than the minimum monthly payment. I think this is fair in the circumstances, as Argos have an obligation to help X bring her account out of persistent debt – especially given her account has been in this position for over 36 months now. Suspending the card at this point will ensure no further spending and help X to reduce the balance given that she can't increase her monthly payment. This is in keeping with the guidelines set out by the FCA and so I think this is reasonable.

Having carefully considered the circumstances of this complaint, I can't see Argos were incorrect to send X the letters or that they've treated her unfairly.

My final decision

For the reasons outlined above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask X to accept or reject my decision before 7 April 2021.

Sean Hamilton
Ombudsman