

The complaint

Ms J is unhappy with the information Home Retail Group Services Limited trading as Argos Card ('Argos'), reported to the credit reference agencies while she was in a debt management plan.

What happened

In 2012, Ms J entered into a store card agreement with Argos.

Due to experiencing financial difficulties in March 2014, Ms J started making payments to her creditors through a debt charity. As part of an agreed debt management plan, she offered to pay Argos £5 a month to discharge her outstanding debt with them, and they accepted. Although the plan was reviewed over the years, her circumstances didn't materially improve, and her payment offer remained the same. She eventually cleared the debt in spring 2020, as she made some additional larger payments that year to help discharge it.

In August 2020, Ms J raised a complaint with Argos as she had signed up with a credit reference agency and received an alert to say, missed payments reported on her credit file were impacting her credit score. It was only then she noticed Argos had been reporting missed payments to her credit file, despite making every payment under the plan. She didn't think this was fair and said none of her other creditors were reporting adverse information about her.

In response to the complaint, Argos explained that the first payment they received under the agreed plan wasn't until March 2014, and Ms J's account fell into arrears shortly before this. They also said the arrears weren't discharged until she had cleared the balance in 2020, so this was an accurate reflection of her payment history. As such, they weren't prepared to make any changes to her credit file.

After the complaint was referred to our service, Argos changed their position as they said they had noticed there were a few months, where Ms J's credit file didn't show a payment plan was in place, and they were therefore happy to update this. They also said when the payment plan first started the arrears were frozen. However, due to a delay in reviewing the

plan in May 2017 a contractual payment was requested, and as this amount was more than the £5 payment Ms J made, this was the reason arrears were then reported to the credit reference agencies, on an ongoing monthly basis. There were a few occasions, where Ms J's credit file showed two missed payments instead of one. However, as they couldn't explain why this was the case, they were prepared to ask the credit reference agencies to change this. Finally, they offered to pay Ms J £50 compensation to say sorry for the trouble and upset they had caused her.

Our investigator upheld the complaint, as she concluded it wasn't fair for Argos to report any missed payments to the credit reference agencies, while Ms J made payments under the plan.

Ms J accepted our investigator's opinion, but Argos disagreed with it. They said the missed payment markers should remain on Ms J's credit file, as they are an accurate reflection of her payment history.

I issued a provisional decision on 20 May 2021, which said I was intending on reaching a different outcome to our investigator. I said:

Argos haven't been able to provide details of Ms J's circumstances when she first entered into the plan in 2014. They've also explained that all plan reviews, with the debt charity were completed using a portal, so they can't provide details of these either. However, given Ms J was only able to pay £5 a month against a debt of £314, this suggests her financial difficulties were relatively severe. While Ms J was only able to make £5 payments, around £2 in interest was also applied each month, and this meant the speed at which her debt was decreasing was further reduced.

The Information Commissioner's Office (ICO) says a default would normally be registered when an account is between three and six months in arrears. However, a default won't normally be applied, if a customer maintains all of the payments under an agreed debt management plan. I suspect Argos never defaulted Ms J's account, as they continued to agree to the terms of the debt management plan, and Ms J never missed a payment. However, I think the rate of repayment under the proposed plan should also have been a key consideration. Even if Argos had frozen the interest on the account, which they didn't, it would have taken Ms J over five years and 63 payments to clear the debt. I don't think this was a reasonable timescale, given the size of the debt, and Argos should therefore have given more thought to defaulting the account.

I also note that if Ms J had stopped making any payments, the account would have been defaulted within three to six months, and this default would have been removed from her credit file six years later. Ms J currently has adverse information recorded on her credit file, so I don't think it's right she's been left in a worse position, then if she hadn't made any payments at all.

I think it was appropriate for Argos to have initially delayed defaulting the account to see if Ms J's circumstances were temporary. But I also think they shouldn't reasonably have delayed this by more than six months, given the slow rate of repayment and the time it would take to discharge the debt. If Argos had done this, interest would have been frozen, and all

of Ms J's payments would have gone towards clearing the outstanding balance. I think a reasonable date for the default would therefore have been 30 September 2014.

My provisional decision

In light of the above, to resolve this complaint I currently intend on directing Home Retail Group Card Services Limited trading as Argos Card to carry out the following redress.

- Manually rework the account to reflect the fact no interest was added after 30 September 2014.*
- Based on the above, refund any over payments made by Ms J and pay 8% simple interest on the overpayments from the date they were made until the date of settlement.*

- *Report a default to the credit reference agencies and ask that this is backdated to 30 September 2014.*
- *Pay Ms J £100 compensation in total, for the trouble and upset this matter has caused her. I appreciate Ms J has already been offered £50, but I think £100 is more appropriate given the impact of Argos' actions and the upset caused.*

I also detailed some considerations in relation to income tax.

Ms J accepted my findings and didn't wish to add any further comments.

Argos also accepted and said they would simply ask the credit reference agencies to remove the account from Ms J's credit file, rather than requesting they add a backdated default.

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.

I've considered the comments made by Argos, and I'm satisfied simply asking the credit reference agencies to remove the account from Ms J's credit file wouldn't disadvantage Ms J. This is because it will have the same result as now asking the credit reference agencies to add a backdated default, due to the time that has passed. So, I have taken this into consideration in the redress below.

As both sides have otherwise accepted my findings, I see no reason to make any further changes to the conclusions I reached in my provisional decision.

Putting things right

To resolve the complaint, Argos should therefore carry out the following redress.

- Manually rework the account to reflect the fact no interest was added after 30 September 2014.
- Based on the above, refund any over payments made by Ms J and pay 8% simple interest on the overpayments from the date they were made until the date of settlement.*
- Ask the credit reference agencies to remove the account from Ms J's credit file.
- Pay Ms J £100 compensation in total, for the trouble and upset this matter has caused her. I appreciate Ms J has already been offered £50, but I think £100 is more appropriate given the impact of Argos' actions and the upset caused.

*If Home Retail Group Card Services Limited trading as Argos Card considers that they are required by HM Revenue & Customs to withhold income tax from that interest, they should tell Ms J how much it's taken off. They should also give Ms 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 and direct Home Retail Group Services Limited trading as Argos Card to settle the complaint as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms J to accept or reject my decision before 22 June 2021.

Claire Greene
Ombudsman