



The complaint

Ms S complains that Home Retail Group Card Services Limited trading as Argos Card Services (Argos) lent to her irresponsibly.

What happened

Ms S took out a credit card online with Argos in June 2012. Over the next few years, Argos applied multiple increases to Ms S's credit limit.

Ms S is unhappy and feels Argos increased her credit limit irresponsibly. She has said she struggled to even meet the minimum payments and was also receiving benefits at the times the increases were given.

Argos explained that all customers opt in for future automatic credit limit increases when they apply for credit. And that under the terms of the account, they can change the credit limit at any time and the customer can tell them if they don't agree to the increase. Argos also said that if a customer doesn't opt out, they will increase the credit limit providing they meet internal and external checks.

Argos have said they use credit scoring to predict the future conduct of an account based on past performance of similar accounts, and that they review information held by credit reference agencies to come up with a level of risk before deciding how much to lend. They said they always make sure the limit is deemed affordable, based on the information available to them.

Argos explained that when Ms S applied for the card in June 2012, affordability checks were carried out which suggested Ms S was capable of making the repayments. They said that Ms S was up to date with her payments until December 2015, when she started to miss them.

At the time of each increase, Argos explained that they used internal and external information to decide on whether or not to offer further credit. They explained they would only provide an increase where a customer is up to date with payments, not falling behind, and not at a high risk of financial difficulty. They said that at each increase Ms S satisfied all relevant criteria.

Our investigator was of the opinion that the first increase given in February 2014 was done irresponsibly, as Ms S had missed payments and her account had gone into arrears three months prior to the increase. He explained that the necessary checks could not have been carried out, as if they had been, Argos would have noticed that Ms S was possibly in some difficulty. Because of this, he asked Argos to refund any fees and charges that occurred as a result of the February 2014 increase, and remove any adverse data that may have been recorded as a result. However, he felt all subsequent increases had been applied fairly, with Argos carrying out the necessary checks.

Ms S disagreed and explained that she had told Argos many times on the phone that she was struggling financially, meaning they were aware of her financial difficulties and shouldn't have lent to her further.

Because of this the complaint has been passed to me for review.

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 note that Ms S's complaint to our service covers points regarding items ordered from Argos and refunds given. However in my decision I am only looking into the irresponsible lending aspect of her complaint.

Having considered everything, I believe all credit increases were applied irresponsibly and that the correct/necessary checks weren't done.

Ms S took out her card in June 2012 with a credit limit of £450. The increases were then applied as follows:

- February 2014 - £650
- January 2015 - £780
- June 2015 - £940
- January 2018 - £1,410
- August 2018 - £2,120
- July 2019 - £2,134

I sent several emails to Argos setting out my provisional thoughts on this complaint. I explained that having looked through everything, I didn't have enough evidence to show that proportionate checks were carried out in relation to any of the credit limit increases.

Ms S's limit was increased multiple times, and I can't see anything to show that proportionate checks were done before each increase was made. For example, I can't see that an income and expenditure was ever carried out prior to any of them. I think it would have been reasonable to do this, along with more in-depth checks, especially given the issues that were found on the conduct of the account before the first increase was made – the missed payments and arrears as highlighted in the investigator's view.

I have also seen a screenshot of a bank statement from the end of 2019/start of 2020, which shows Ms S was running very close to her overdraft (£545 against a limit of £600). It also shows a DWP payment, which looks as though it may be a monthly one, and other spending looks to be minimal. This statement supports what Ms S has said, in that she was on benefits, on a tight budget and had to rely on family members to meet payments. And while I appreciate that someone being in receipt of benefits doesn't mean a bank shouldn't lend, from what I have seen I'm persuaded she was in difficulty.

I can see that Argos has said it carried out external credit checks, but even though an outline of the checks carried out has been provided, Argos haven't provided any evidence to

support what they have said. I haven't got anything showing the specific results of the checks for each increase over the years, only a CII score. Because of this I can't safely say that the correct level of checks were done.

I appreciate that the bank statement provided by Ms S doesn't cover the full period of the increases. We have asked Ms S if she would be able to give us some more information about her income and expenditure for the dates covering the increases, however she's not provided this. But I am mindful that we would be asking her to give us information going back so many years when we wouldn't expect the bank to hold information for this long. And with cases like this, it is for the bank to show they did the correct checks, not for the customer to prove they didn't.

Argos have said Ms S requested two of the increases. While I understand this and agree, it doesn't mean that they should have been given. The necessary checks still should have been carried out to see whether the increases would have been affordable.

Argos have also said that they use bureau data from Experian to gain a CII score. They also mention Ms S's Delphi score and internal risk score. But I don't know what dates these scores refer to. I also can't say whether these scoring measures are correct. I think it's most likely that the scores provided relate to when Ms S applied for the card, and not at each increase. From the information I have, we only have the CII score for each increase, which, to me, wouldn't constitute as enough.

When the opinion was given on this case by our investigator, we established that the first increase was applied irresponsibly. There were a number of missed payments and the account was in arrears. So if the checks carried out didn't pick up this information, and if Ms S's financial position didn't change in the years ahead (as supported by the Santander statement), I can't say with any certainty that the checks Argos carried out were proportionate.

Ms S has let us know that she was making the minimum payments, she was receiving financial help from her family to help pay bills, and she was receiving benefit payments. She has also mentioned that she explained her financial situation to Argos on the phone a number of times. Although I haven't received any call recordings, given what Ms S has said, this sounds credible.

Given what I have at the moment, I can't say that the increases were applied fairly or that proportionate checks were done before each increase was given. It looks as though Ms S was only making minimum payments, and there is some evidence of persistent debt, which was followed by a credit increase. Her statements show that she was regularly at the top end of her credit limit and we have already seen that the first increase was given after she had missed payments and defaulted on her account.

Because of this, I think more in-depth checks should have been carried out before the increases were authorised, and I haven't seen any evidence to show that this was done.

Sometimes when we look into unaffordable lending cases it's clear that a customer is given the option to refuse an increase, or even ask for their limit to be lowered. However we wouldn't say that this means the lending was applied fairly. When someone is struggling financially, they usually take what they are given as they feel they need it.

From everything I have, it looks like Ms S has paid back what she owes and it's just the interest/charges outstanding. I believe that all interest and charges should be refunded, as I can't see anything to suggest that reasonable and proportionate checks were carried out before each increase was applied and, had they been, I think it's unlikely that Argos would

have increased Ms S's credit limit on any of the occasions mentioned above. 8% interest should also be awarded on any amount of interest and charges Ms S has actually paid.

My final decision

My final decision is that I uphold this complaint.

Home Retail Group Card Services Limited trading as Argos Card Services should do the following to put things right for Ms S:

- Rework Ms S's account to ensure that from February 2014 onwards interest is only charged on the first £450, to reflect the fact that no credit limit increases should have been provided. All late payment and over limit fees should also be removed;

And

- If an outstanding balance remains on the account once these adjustments have been made, Argos should contact Ms S to arrange a suitable repayment plan. If Argos considers it appropriate to record negative information on Ms S's credit file, it should backdate this to February 2014.

OR

- If the effect of removing all interest, fees and charges results in there no longer being an outstanding balance, then any extra should be treated as overpayments and returned to Ms S, along with 8% simple interest on the overpayments from the date they were made until the date of settlement. If no outstanding balance remains after all adjustments have been made, then Argos should remove any adverse information from Ms S's credit file.†

Argos should show Ms S what they've done to work out the above.

†HM Revenue & Customs requires Argos to take off tax from this interest. Argos must give Ms S a certificate showing how much tax it's taken off if she asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms S to accept or reject my decision before 12 April 2022.

Danielle Padden

Ombudsman