

The complaint

Mrs H complains that Home Retail Group Card Services Limited, trading as Argos, acted irresponsibly by increasing the limit on her credit card several times. She says the lending was unaffordable for her.

Mrs H is represented in this complaint by her daughter. For ease, I'll refer to anything said by her daughter as being said by Mrs H.

What happened

In April 2013, Mrs H took out a credit card with Argos and was given a credit limit of £2,000. The credit limit was increased several times over the next few years and by August 2016 it was £3,960.

In September 2020, Mrs H complained that the lending was unaffordable. Argos said that prior to any credit limit increase, it does checks to ensure the increase is suitable for the customer. It said Mrs H's other credit commitments were also taken into consideration. It said there was no evidence that Mrs H had requested to opt out of automatic credit limit increases or had said that she wanted to lower the credit limit on the account.

I issued a provisional decision on 17 March 2022 where I explained why I intended to uphold Mrs H's complaint in part. In that decision I said:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint."

Based on what I've seen so far, I intend to uphold Mrs H's complaint in part. I'll explain why.

Initial lending decision and first three credit limit increases

The rules applying to this service say that, unless a business consents or there are exceptional circumstances, I can't look at a complaint made more than six years after the event being complained about – or (if later) more than three years after the complainant was aware, or ought reasonably to have been aware, of cause for complaint. This is Dispute Resolution rule 2.8.2R(2) – which can be found online in the Financial Conduct Authority's handbook.

Mrs H's complaint was made in September 2020. This is more than six years after Argos gave her the credit card – in April 2013. It's also more than six years after the credit limit increases that took place in November 2013, March 2014 and July 2014. So, I need to think about when Mrs H was aware, or ought reasonably to have been aware, she had cause to complain.

In order for Mrs H to have been aware, or it to be the case that she ought reasonably to have been aware, of cause for complaint, it would have to be the case that she was aware, or ought reasonably to have been aware that:

- *there was a problem – in this case that the lending was unaffordable;*

- the unaffordable lending caused her loss; and
- Argos's actions (or its failure to act) may have caused the loss.

Mrs H's daughter has told us that she and her mother first noticed the lending was unaffordable in around mid-2017. Around that time, Mrs H's daughter started to make payments on the card to help Mrs H with her financial situation. So, I'm satisfied that Mrs H ought to have realised that the lending was unaffordable, and this was causing her loss in mid-2017.

As Argos had issued the credit card and increased the credit limits, I think Mrs H ought reasonably to have realised that Argos might have had at least some responsibility for her problem too. So, I think Mrs H is likely to have been aware (or ought reasonably to have been aware) that she had cause to complain more than three years before she made the complaint.

Argos hasn't given us consent to look into events that occurred more than six years before Mrs H made her complaint. I also haven't been made aware of any exceptional circumstances that meant Mrs H couldn't have complained to Argos sooner. So, I'm unable to consider Argos's initial lending decision or the credit limit increases that took place in 2013 and 2014, because the complaint has been made too late.

Subsequent credit limit increases

The relevant rules, regulations and guidance required Argos to carry out reasonable and proportionate checks to ensure Mrs H would be able to afford to make the repayments in a sustainable manner.

The checks needed to be borrower-focused. It wasn't enough for Argos to think only about the likelihood of getting its money back. It also had to ensure that Mrs H was in a position to repay what she borrowed in a reasonable period of time, without undue difficulty (for example by getting into further debt).

There isn't a set list of checks that lenders need to carry out, but they should be proportionate, taking a number of factors into consideration. These factors include the amount, type and cost of the credit as well as the personal circumstances of the consumer. Argos says that before each credit limit increase it used internal and external information to ensure the lending is affordable. It's told us it uses data from credit reference agencies to score a customer on indebtedness and risk. Argos has shared the scores given to Mrs H at the time of the increases, but it hasn't provided information to show how it arrived at these scores.

Argos increased Mrs H's credit limit from £2,750 to £3,300 in January 2016. Given the amount of credit Argos was considering extending to Mrs H, I'm not persuaded that the checks it carried out were proportionate. So, I've gone on to consider what Argos would likely have seen if it had carried out further checks.

I've had a look at Mrs H's bank statements and credit file to get a picture of her financial circumstances prior to the credit limit increase.

Mrs H says she's on a basic state pension. Her bank statements show her average income for November and December 2015 was around £782.

Mrs H's credit file shows that she had three other credit cards with a combined credit limit of £3,950 and a loan with repayments of £109 a month. Mrs H's credit file shows she also had

a hire purchase agreement and her bank statements indicate she was paying £140.77 a month towards this.

From what I can see Mrs H was committed to using around a third of her monthly income for her loan and hire purchase agreement repayments. She also had access to a high amount of credit, relative to her income, from her credit cards.

I appreciate that different checks show different things. But I think that if Argos had carried out what I'd consider to be proportionate checks, it would likely have concluded that Mrs H would have been unlikely to sustainably repay a balance of £3,300 within a reasonable period of time. So, I don't think Argos's decision to increase Mrs H's credit limit in January 2016 was responsible.

Argos also doesn't appear to have carried out proportionate checks when it subsequently increased Mrs H's credit limit to £3,960 in August 2016, and it doesn't look like her financial circumstances had improved. So, I think this further credit limit increase was also irresponsible."

I set out what I intended to direct Argos to do to put things right. And I gave both parties the opportunity to send me any further information or comments they wanted me to consider before I issued my final decision.

Responses

Mrs H and Argos both agreed with the findings I'd reached in my provisional 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.

As both parties agree with the conclusions I reached in my provisional decision, I see no reason to change them.

Putting things right

Mrs H has had the benefit of the funds she borrowed, so I think it's fair that she repays them. But she's incurred additional interest and charges as a result of Argos lending to her irresponsibly. So, Argos should:

- Refund all interest and charges incurred on a balance above £2,750 to Mrs H's account.
- If these refunds result in the account having a credit balance, Argos must pay this to Mrs H along with 8% simple interest per year* from the date the credit balance arose to the date of settlement.
- If an outstanding balance remains on the account after the adjustments have been made, Argos should take a sympathetic view when seeking to agree a suitable repayment plan with Mrs H.
- Remove any adverse information recorded on Mrs H's credit file relating to the account after the credit limit increase in January 2016.

*HM Revenue & Customs requires Argos to deduct tax from this interest. Argos should give Mrs H a certificate showing how much tax it's deducted, if she asks for one.

My final decision

For the reasons I've explained, I uphold Mrs H's complaint and direct Home Retail Group Card Services Limited, trading as Argos, to put things right by doing as I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 26 May 2022.

Anne Muscroft
Ombudsman