

## **The complaint**

Miss Y complains that Home Retail Group Card Services Limited trading as Argos Card (Argos) was irresponsible to agree credit for her.

## **What happened**

Argos opened a credit card account for Miss Y in December 2017. This type of credit was an open-ended or running account facility and the credit limit was £600.

Miss Y said that Argos should never have allowed her to open an account because she couldn't afford the repayments and had recently taken out several other credit cards. Miss Y also said that she was borrowing from short term lenders at the time and spending money on gambling.

Argos said that it checked Miss Y's credit file to assess her level of existing debt and her management of it before opening an account for her. Argos said that Miss Y met the relevant criteria at the time the application was made and so it acted correctly in opening the account for her. It didn't uphold Miss Y's complaint.

Miss Y referred her complaint to us. Our investigator didn't recommend that her complaint be upheld. They found that Argos should have looked for more information about Miss Y's circumstances before opening an account for her. However, they also found that further information wouldn't have led Argos to decline to lend to her because it was likely to have seen that the credit was affordable.

Our investigator also found that Argos wouldn't have known about Miss Y's gambling as it seemed she didn't share this information with it. Our investigator concluded that Argos didn't act unfairly or unreasonably by approving the credit agreement.

Miss Y didn't agree with this conclusion and asked for her complaint to come to an ombudsman to review and resolve.

## **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 also had regard to the regulator's rules and guidance on responsible lending (set out in its consumer credit handbook – CONC) which lenders, such as Argos, need to abide by. Argos will be aware of these, and our approach to this type of lending is set out on our website, so I won't refer to the regulations in detail here but will summarise and refer to them where appropriate.

Before entering into a credit agreement, Argos needed to check that Miss Y could afford to meet her repayments sustainably, in other words out of income (or available savings), within a reasonable period of time, without having to borrow further and without experiencing financial difficulty or other adverse consequences. The checks needed to be proportionate to

the nature of the credit (the amount borrowed, for example) and to Miss Y's particular circumstances.

The overarching requirement was that Argos needed to pay due regard to Miss Y's interests and treat her fairly. CONC 2.2.2G(1) gave an example of contravening this as 'targeting customers with regulated credit agreements which are unsuitable for them by virtue of their indebtedness, poor credit history, age, health, disability or any other reason.'

My main considerations are did Argos complete reasonable and proportionate checks when assessing Miss Y's application to satisfy itself that she would be able to make her repayments sustainably? If not, what would reasonable and proportionate checks have shown and, ultimately, did Argos make a fair lending decision?

Having considered everything carefully, I am not upholding Miss Y's complaint. I appreciate that this will be very disappointing for her and I've explained below how I've reached this conclusion.

Argos said it checked Miss Y's credit file before lending to her, but it hasn't provided me with a copy of its results beyond affordability scores. Argos hasn't said that it checked Miss Y's means before lending to her. It seems to me that it would be necessary to at least have an understanding of Miss Y's income in order to assess whether or not she'd be able to repay the credit sustainably. The regulations in place at the time said that a lender should set the credit limit based on a credit worthiness assessment taking into account sufficient information and in particular, the information it has on the customer's current disposable income. So I can't say that Argos carried out a proportionate check on this occasion.

Miss Y has provided her payslips for December 2017 and March 2018 and bank statements for her current account covering November 2017 to February 2018. I've reviewed these to get an understanding of what Argos might have found out had it carried out a proportionate check. To be clear, I'm not suggesting this is what Argos ought to have done but, in the absence of any other evidence I think it's reasonable to place some reliance on this information.

Miss Y was earning on average about £600 a month around that time and I can see from her payslips that her hours varied. She was living with her parents and told us she paid £200 a month for rent. I can identify a couple of payments entitled 'rent' on Miss Y's bank statements, both for less than £100. I can see payments for three store or credit cards and a phone bill. Miss Y said that she had no credit history when she applied for her Argos account and that she had opened three credit accounts just beforehand.

I don't think further information about Miss Y's income, her existing debts or living costs would have caused concern to Argos to the extent that it would have declined to lend to her. Although Miss Y's income was relatively low, it seems to me that her existing regular commitments were also relatively low. Although she opened several lines of credit around that time, I don't think Argos would have found out about these before opening her account.

Miss Y told us that she spent money on gambling. Our investigator found that Argos wasn't likely to know about Miss Y's gambling spend and so wouldn't have considered this before lending to her.

Miss Y's bank statements show spending on travel, food and entertainment including gambling. For example, in November 2017 Miss Y spent about £220 on takeaways and about £150 on gambling. In December these amounts came to about £120 and £100 respectively. Miss Y described this spending as a problem for her and I don't doubt what she's told us about her experience. However, it seems to me that Miss Y wasn't spending so

much on any one particular activity at that time that Argos would have concluded its credit was unsuitable for her or that she'd have difficulty with her repayments, even if it had seen these transactions.

Miss Y did mention that she borrowed from short term lenders but I haven't seen any examples of this before she opened her Argos account. Miss Y also said that she borrowed from friends and family. The statements show many transfers in and out of her account, some referenced and some not, and I don't think having sight of these transactions would have caused Argos concern.

Altogether, I think it's likely Argos would have offered Miss Y the account even if it had looked further into her circumstances before lending to her. So I can't say that it was irresponsible to have done so.

Miss Y told us that she hasn't been able to repay the credit she took on and several of her accounts are now in default. She's told us she's struggling with her finances and has dependants. I am sorry to hear of Miss Y's difficulties and I appreciate that this is not the outcome to her complaint that she was hoping for. As Argos will know, it needs to treat Miss Y fairly and with forbearance and due consideration if she is in financial difficulty, which might include coming to an affordable repayment plan with her.

### **My final decision**

For the reasons given above, I am not upholding Miss Y's complaint about Home Retail Group Card Services Limited trading as Argos Card and don't require it to take any action.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss Y to accept or reject my decision before 19 January 2023.

Michelle Boundy  
**Ombudsman**