

The complaint

Miss B complains that Argos Limited, trading as Argos Financial Services (“Argos”) shouldn’t have provided her with credit as she couldn’t afford to repay it.

What happened

Miss B was approved for an Argos credit card in April 2019, the credit limit was set at £500 and in October 2019 the limit was raised to £750.

Miss B says it was irresponsible of Argos to have provided the credit and our investigator agreed. To resolve the situation our investigator suggested that Argos should refund any interest and charges, but she didn’t think Argos should refund the capital as she thought Miss B had the benefit of that. Argos agreed to that resolution.

Miss B didn’t agree. She said she’d suffered from poor mental health for years and that was something Argos should have asked about. She explained that she simply didn’t have the money available to her to pay this debt back and she asked for a final decision by an ombudsman.

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.

Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website. I’ve had this approach in mind when considering what’s fair and reasonable here.

There’s no longer a dispute that the credit shouldn’t have been provided as Argos have accepted that. But for completeness I would add that I agree. There was evidence on Miss B’s credit file at the time of her application that she was in a payment arrangement with a creditor. That arrangement had defaulted by the time the credit limit was increased and I think that meant the checks completed by Argos weren’t reasonable and proportionate.

I think they should have asked for more information to clarify Miss B’s income and expenditure. Whilst they didn’t have to ask for bank statements, in the absence of other information I think they’re a good guide to what Argos would have found if they’d asked for further information. The statements show Miss B was struggling financially, she was regularly in overdraft and was missing payments to her creditors. Her income was only about £400 a month when she applied for the card and by the time the limit was increased she was on benefits and in fact had told Argos about that only a month before the increase was applied. I think all that suggests the credit wasn’t affordable for Miss B and Argos were irresponsible to provide it.

Putting things right

When we decide that credit shouldn’t have been provided it’s usual for us to tell the business

to refund any interest and charges that have been applied to the account as, if the capital hadn't been provided, the interest wouldn't have accrued.

However, we don't tell a business to waive the capital debt as that wouldn't be fair to them when, as is the case here, the consumer has had the benefit of the capital.

I was sorry to hear that Miss B had been experiencing mental health problems, but I can't see evidence that she told Argos about that, it's not for instance, recorded in their system notes. So, it wouldn't be fair for me to ask them to take that into account now.

However, as the capital was irresponsibly provided I think it's fair for Argos to help Miss B and agree an affordable repayment plan with her for any balance that remains after they have carried out the redress I've set out below.

My final decision

As I don't think Argos Financial Services should have provided the credit, I don't think it's fair for it to be able to charge any interest or charges. But I think Miss B should pay back the amount she has borrowed as she's had the benefit of that money. Therefore, I'm expecting to tell Argos Financial Services to:

- Refund any interest or charges, so all interest (including any Buy Now Pay Later ("BNPL") interest) and charges are removed*.
- Work out how much Miss B would have owed after the above adjustments.
- If after all adjustments have been made Miss B no longer owes any money, then all adverse information regarding this account should be removed from Miss B's credit file from today.
- Or, if an outstanding balance remains, Argos should look to arrange an affordable payment plan with Miss B for the outstanding amount. Once Miss B has cleared the balance, any adverse information should be removed from her credit file.

Argos sold the account in October 2021 so they'll need to buy it back before they can apply the redress I've set out above. Argos have confirmed they've already set that buy back in motion.

*If HM Revenue & Customs requires Argos to deduct tax from any award of interest. It must give Miss B a certificate showing how much tax has been taken off if she asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 11 January 2023.

Phillip McMahon
Ombudsman