

## **The complaint**

Mrs O complains that Home Retail Group Card Services Limited (HRG) trading as Argos Card lent to her irresponsibly.

## **What happened**

In November 2015 Mrs O applied for an Argos card. HRG approved the application and gave Mrs O a card with an initial credit limit of £2000. The credit limit was increased in March 2016, December 2016, April 2017, June 2018 and June 2019.

Mrs O complained that HRG had lent to her irresponsibly.

HRG didn't uphold the complaint. It said it had completed proportionate checks before lending to Mrs O.

Mrs O remained unhappy and complained to this service.

Our investigator upheld the complaint. She said that by offering Mrs O a credit limit of £2000 when the account was opened, HRG was doubling the amount of credit that Mrs O had access to whilst being on a low income of around £544 per month. The investigator said that, assuming that Mrs O made a repayment of 5% each month for both of her credit accounts, this would amount to £200 per month, which was around 37% of her monthly income. The investigator said that it was unlikely that Mrs O would have been able to make her repayments sustainably.

HRG didn't agree. It said that the outcome was based on an assumption of Mrs O's income based on her age. It said there was no evidence that Mrs O's only source of income was her pension. HRG said that its records for the past year showed that Mrs O had validated income of £13,530 which gave her a disposable income of £300 - £350 per month. It said that on that basis it believed that the lending was affordable.

## **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.

We've set out our approach to complaints about irresponsible and unaffordable lending on our website. I've had this approach in mind when considering Mrs O's complaint.

Before agreeing to lend, HRG needed to complete reasonable and proportionate checks to ensure that Mrs O could sustainably repay what was being lent to her.

There's no set list of checks that a lender has to carry out. But lenders are required to have regard to things like the amount being lent, the total amount repayable, the monthly repayment and the consumers individual circumstances when deciding what's reasonable and proportionate.

I've looked at the checks carried out by HRG before it lent to Mrs O to decide whether these

were reasonable and proportionate.

HRG has told this service that Mrs O provided details of her income and expenditure in her application. It reviewed this and carried out a credit search. HRG said that it approved the application because Mrs O met its lending criteria.

HRG hasn't provided this service with the details of Mrs O's declared income and expenditure. So this service asked Mrs O to provide this information. Mrs O said she was in receipt of a state pension of £115 per week and a widow's pension of £46 per month. This equated to monthly income of £544.

HRG hasn't provided this service with details of the credit checks it completed at the time of the application. So this service reviewed Mrs O's credit report. The report shows that Mrs O held another credit account at the time she applied for the credit with HRG, with a credit limit of £2000. She also held another credit account (credit limit unknown) and a mail order account (credit limit unknown).

Because HRG hasn't provided the results of the credit checks it completed, it isn't possible for me to say exactly what level of unsecured debt Mrs O had at the time of the application for credit. With HRG. So I've reached my decision based on what I think is most likely.

One of Mrs O's credit accounts had a credit limit of £2000. And the Argos card had the same credit limit. This means that Mrs O had a credit facility of at least £4000. I say at least because I don't know what the credit limits were on the other two credit accounts. If Mrs O had fully utilised her credit limits, she would've had a significant level of unsecured debt in relation to her income. If Mrs O made repayments of 5% each month this would equate to around £200 per month or around 37% of her monthly income. This is a high debt to income ratio. In these circumstances, I think this should've prompted HRG to carry out further checks to obtain a more detailed picture of Mrs O's financial circumstances.

I've gone on to consider what further checks might have shown. I can't be certain of exactly what checks HRG would've carried out and what information it might've obtained. However, in the absence of HRG having carried out further checks, I've looked at Mrs O's bank statements for the period September to November 2015. These statements show that Mrs O's only source of income was her pension. The statements also shows that Mrs O regularly used her overdraft facility.

Looking at the bank statements, it doesn't appear that Mrs O had sufficient disposable income to sustainably repay any further lending. HRG has suggested that Mrs O might have an alternative bank account because there aren't any rent or mortgage payments on her bank statements. I've thought about this, but I think it's likely, given Mrs O's age, that any mortgage would've been paid off previously.

Based on what I've seen, I don't think Mrs O was likely to be able to sustainably repay the credit. Because of this I don't think the decision to approve the account and extend credit was a fair lending decision.

#### Credit limit increases

I haven't seen any evidence to persuade me that there was a significant and sustained improvement in Mrs O's financial circumstances since the account was opened and up to the final credit limit increase in June 2019. HRG hasn't provided any information about the checks it carried out prior to increasing the credit limit. Mrs O has told this service that her source of income remained the same. I appreciate that the state pension may have increased between 2015 and 2019 but I'm not persuaded that it increased by an amount

which can be said to have brought about a significant and sustained improvement in Mrs O's financial circumstances. For these reasons, I don't think the credit limit increases were unfair, because they increased Mrs O's indebtedness when she didn't have sufficient income to sustainably repay the credit.

### **Putting things right**

Mrs O has had the benefit of the credit she was given so I think it's fair that she repays this. However, because I've found that the lending decision wasn't fair, I think HRG should put things right by refunding interest and charges.

HRG must:

Rework the account removing all interest fees and charges which have been applied.

If the rework results in a credit balance, this should be refunded to Mrs O together with 8% simple interest per year\* calculated from the date of each overpayment to the date of settlement. HRG should also remove all adverse information regarding the account from Mrs O's credit file.

If after the rework there is an outstanding balance, HRG should arrange an affordable repayment plan with Mrs O. Once she has cleared the balance, any adverse information in relation to the account should be removed from her credit file.

\*HMRC require HRG to take off tax from this interest. HRG must give Mrs O a certificate showing how much tax has been taken off if she asks for one.

### **My final decision**

My final decision is that I uphold the complaint. Home Retail Group Card Services Limited trading as Argos Card must take the steps I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs F to accept or reject my decision before 29 August 2023.

Emma Davy  
**Ombudsman**