

The complaint

Mrs S is unhappy that Home Retail Group Card Services Limited trading as Argos Financial Services (Argos) haven't refunded her store card account after she returned a faulty item.

What happened

Mrs S used her Argos card to make a purchase for £258.95 on 11 May 2023. This was made using a six month Buy Now Pay Later (BNPL) plan. Mrs S changed her mind about the purchase and arranged for the goods to be collected for a full refund.

In October 2023, Mrs S complained to Argos as she was unhappy with the £258.95 refund and the amount of her outstanding balance. Argos issued its final response to Mrs S on 17 October 2023. In this it explained that the refund of £258.95 had been credited to Mrs S' account but had applied to purchases where the BNPL plans were ending sooner, as per its process. It then also explained the debits and credits on the account and that given these, the outstanding balance was correct.

Mrs S didn't agree and referred her complaint to our service. She said the refund hadn't been applied to her account despite the goods being returned and she was now being charged. One of our investigators considered the complaint and concluded that Argos had applied the refund and agreed the refund had been used to reduce the amount outstanding on other BNPL plans Mrs S had.

Mrs S explained that her statements show she still owed for the goods that were returned in May 2023 and no refund had been applied to the other BNPL plans on her account. Therefore, she had paid everything she owed, and the refund should be applied to her account.

As Mrs S disagreed, the complaint has been passed to me to decide.

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.

Having reviewed Mrs S' statements, I'm satisfied she did receive a full refund of the £258.95. Her June 2023 statement shows a refund of £8.95 being credited on 17 May 2023 and a further £250 on 20 May 2023. I believe the confusion here is being caused because the refunds didn't go towards the BNPL plan for the original goods purchase on 11 May 2023. The two refunds, totalling £258.95, were instead credited to different BNPL plans.

Prior to the purchase on 11 May 2023, a statement dated 7 May 2023 was issued to Mrs S. On this there are multiple BNPL plans detailed, but three are relevant here. Two of these were due to end on 5 August 2023 and had remaining outstanding balances of £409 and £139.99. The third relevant BNPL plan was due to end of 5 June 2023 and had £85 remaining.

The following months statement issued on 7 June 2023 showed the outstanding balances for the two plans ending on 5 August 2023 had been reduced. The £409 become £159 (a £250 reduction) and the £139.99 become £131.04 (a £8.95 reduction). Mrs S paid £85 via direct debit which ensured the third BNPL ending 5 June 2023 was repaid in full. Therefore, while

not refunded to the original BNPL plan that related to the purchase, the £258.95 refund was given to Mrs S and applied to the two BNPL plans she had ending on 5 August 2023.

Given the above, the £258.95 BNPL plan was still present on Mrs S' November 2023 statement and remained due. This was because it hadn't been repaid previously and the refund applicable to it had been used to reduce balances owed on other BNPL plans. This and two other plans were due to expire on 5 December 2023. As the total balance due under these expiring BNPL plans wasn't paid in full, the remaining amount was correctly added to Mrs S' normal credit balance and interest applied.

Argos has explained that it didn't just apply the refund to the BNPL plan that corresponded with it, as its process is to use refunds to reduce other plans that expire sooner. This is to try and clear the BNPL plans where interest will apply in full if not repaid quicker. While I appreciate this has caused confusion here, I'm satisfied the statements show what Argos did. Its reason for applying refunds in this manner is to try and help consumers avoid paying interest on plans expiring sooner, which isn't unreasonable. It also explained this to Mrs S in its final response before the expiry of the £258.95 BNPL plan. So, Mrs S was aware the £258.95 would still need to be paid.

My final decision

I don't uphold Mrs S' complaint against Home Retail Group Card Services Limited trading as Argos Financial Services.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 3 April 2024.

Paul Blower
Ombudsman