

## The complaint

Mr P complains that Home Retail Group Card Services Limited trading as Argos Financial Services have irresponsibly lent to him.

Mr P is represented by a Claims Management Company in bringing this complaint. But for ease of reading, I'll refer to any submission and comments they have made as being made by Mr P himself.

## What happened

Mr P was approved for an Argos credit card in August 2021 with a £600 credit limit. I have detailed the credit limit changes below:

January 2022	£600 to £900
January 2023	£900 to £1,100

Mr P says that Argos irresponsibly lent to him, and he made a complaint to Argos, who did not uphold his complaint.

Argos said that at the time the application was made, the relevant lending criteria was met, and the checks completed didn't raise any potential risk factors. Therefore, the application was approved, and the credit limit given was deemed to be reasonable and affordable. They said when they acknowledged Mr P's complaint, they asked if he could provide bank statements from the time when the lending decisions were made, to support their lending decisions, but they haven't received them. Argos said if Mr P could provide the statements in the future they will re-look into his concerns. Mr P brought his complaint to our service.

Our investigator did not uphold Mr P's complaint. He said Argos' initial checks were proportionate, and the credit limit increases were fair as Mr P had made more than minimum repayments to his account.

Mr P asked for an ombudsman to review his complaint. He made a number of points. In summary, he said his credit file showed several instances of recent credit accounts being opened, increased credit limits, exceeding his credit limits, and late payments in the last six months prior to the lending decisions. He said Argos did not verify his income, check living expenses and they did not carry out a credit check, and he queried if our service had been provided this information.

## 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.

Before agreeing to approve or increase the credit available to Mr P, Argos needed to make proportionate checks to determine whether the credit was affordable and sustainable for him. There's no prescribed list of checks a lender should make. But the kind of things I expect lenders to consider include - but are not limited to: the type and amount of credit, the

borrower's income and credit history, the amount and frequency of repayments, as well as the consumer's personal circumstances. I've listed below what checks Argos have done and whether I'm persuaded these checks were proportionate.

#### *Acceptance for the Argos credit card - initial credit limit (£600)*

I've looked at what checks Argos said they did when initially approving Mr P's application. I'll address the credit limit increases later on. Argos said they completed a credit check with a Credit Reference Agency (CRA) and information that Mr P had provided before approving his application.

The information showed that Mr P was full time employed. While Argos did not ask Mr P for his salary, they used a credit bureau to validate Mr P's income as the credit bureau validated income of £87,000. Mr P has disputed the validated income. I asked Mr P if he could recall his income prior to the application, and if he could provide his bank statements prior to the lending decisions, but Mr P did not respond with this information by the deadline, even though I extended the deadline when he did not respond by the initial deadline.

So in the absence of this information from Mr P, I have no evidence to dispute the screenshot Argos sent our service. Using validated data through current account turnover would be a proportionate check here.

I don't agree with Mr P that Argos didn't complete a credit check. I say this as they have been able to show the risk scores that the CRA returned for Mr P prior to the account being opened.

The risk scores showed a customer indebtedness index (CII) of 17 for Mr P. A CII score of between 40-50 would typically mean a customer is highly indebted, and over 50 would typically be deemed as overindebted.

Mr P's risk score was 704 prior to the application being approved. The risk score is calculated using a scorecard which considers previous arrears and defaults on a consumer's credit file, recent searches, applicant age, as well as bureau scores. Argos considered a score of 600+ to be a pass at the time his application was approved, so Mr P's score of 704 was comfortably over this threshold.

So I'm satisfied that the checks Argos carried out here, prior to approving the initial £600 credit limit were proportionate and that Argos made a fair lending decision to approve Mr P's application.

#### *January 2022 credit limit increase - £600 to £900*

I've looked at the information available to Argos when they increased Mr P's credit limit to £900. Again, Argos carried out a credit check, which showed a CII score of 28. So this shows Mr P was more indebted than before, but the score was still below what would typically be considered as highly indebted. Argos' checks showed a behaviour score of 785 which did not indicate to Argos a high customer risk as the lower the figure, the higher the risk.

But this isn't all the data Argos would have access to. I say this as Argos would have been able to see how Mr P managed his Argos account from account opening. Mr P's Argos statements show that there were no instances of overlimit fees, or late/missed payment fees since Mr P opened his account.

The statements showed that Mr P often made higher repayments than his minimum payment. For example, Mr P's January 2022 Argos statement which shows his credit limit as still being £600 shows that Mr P made a £300 repayment via a debit card on 25 January 2022, when his previous statement showed a minimum repayment of £5 needed to be paid by 26 January 2022. So if Mr P was struggling financially, I would not expect him to be able to make a repayment which was sixty times the minimum repayment. As Mr P did make a payment of this nature, it could suggest that Mr P had the affordability to sustainably make repayments to an increased credit limit.

So I'm satisfied that the checks Argos carried out here, prior to approving the credit limit increase to £900 were proportionate and that Argos made a fair lending decision to approve Mr P's credit limit increase.

#### *January 2023 credit limit increase - £900 to £1,100*

I've looked at the information available to Argos when they increased Mr P's credit limit to £1,100. I do note that Mr P's Argos' internal behaviour score fell to 628, however, Argos carried out a credit check, which showed a CII score of 16. So this would appear to show that Mr P was less indebted than at the last credit limit increase, and at the account application stage.

But this isn't all the data Argos would have access to. I say this as Argos would have been able to see how Mr P managed his Argos account from account opening, including what happened since the last credit limit increase the year prior. Mr P's Argos statements show that he did incur an overlimit fee in September 2022, and a late fee in August 2022, which could be signs of financial difficulty, and these are possible reasons why his Argos internal behaviour score fell. But I do note that after these fees were incurred, Mr P returned to making at least his minimum repayments, and at times since his last credit limit increase he made repayments which were higher than his minimum repayment.

So I'm satisfied that the checks Argos carried out here, prior to approving the credit limit increase to £1,100 were proportionate and that Argos made a fair lending decision to approve Mr P's credit limit increase.

Argos have said that they will re-look into Mr P's concerns if he can provide his bank statements. As Mr P hasn't provided his bank statements to our service by the deadline and the extended deadline, then I can't review these, but this may be something Mr P wants to provide directly to Argos for them to reassess their lending decisions if he is unhappy with the outcome of this complaint.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I can't conclude that Argos lent irresponsibly to Mr P or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here. So it follows I don't require Argos to do anything further.

#### **My final decision**

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 28 November 2024.

Gregory Sloanes

**Ombudsman**