

The complaint

Miss T complains that Home Retail Group Card Services Limited trading as Argos Financial Services (Argos) should've defaulted her account earlier than it did.

What happened

Miss T had a credit account with Argos but ran into financial difficulties. Her Argos account fell into arrears, along with a number of other credit agreements.

In March 2018, she entered a Debt Management Plan (DMP). This included payments of £5.89 per month to Argos. The balance was then £337.

In July 2018, the payment offer was reduced to £5 per month. The balance was then £331.

Argos defaulted the account in January 2019.

Miss T complained that Argos should have defaulted the account in March 2018. That would have been the same as her other lenders and would mean that the default had now run off from her credit file.

Miss T says that because the default was still outstanding and was showing on her credit file - she can't get a mortgage or rental agreement to get a house. This was affecting her family and her mental health.

Argos said they defaulted the account in January 2019 as it was then in arrears by £200.87. This was correct and the default would stay on Miss T's credit file for six years from that date.

Miss T brought her complaint to us. Argos said to us that the firm's process in 2018 was that when a DMP was put in place, a default wouldn't be registered.

They changed this approach in November 2018 – and the change then meant that a default would be registered when a DMP was in place - if the proposed payments meant a repayment period of more than five years. And as the payment of £5.89 meant a payment period of less than five years, a default wasn't registered in March 2018 in Miss T's case.

But having looked into Miss T's case after she complained to us, Argos saw that the payments were reduced to £5 per month in July 2018 – i.e. with a balance of £331, the period was then 66 months. So Argos agreed the default could be backdated to July 2018.

Our investigator said this was a fair way to resolve Miss T's complaint.

Miss T didn't agree. She said the debt was paid off in October 2022 and that was less than five years from July 2018 – so on that basis the default should be backdated to March 2018.

Because Miss T didn't agree with our investigator, her complaint has come to me to make final decision.

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.

Let me say at the outset that this service resolves individual disputes between customers and financial businesses. We aren't the regulator of Argos – that's the Financial Conduct Authority (FCA). So – we don't tell businesses to change their policies or practices. So – here, it's for Argos to make its own commercial decisions as to how it runs its credit accounts and its default policies. But we do say if a customer has, or hasn't, been dealt with fairly and reasonably – based on the individual circumstances of their complaint.

Miss T ran into difficulties in 2018 and entered a DMP in March 2018.

Argos' policy at that time was not to register a default when a customer entered a DMP and as I've said, we can't challenge that, it was for Argos to decide.

But Argos later changed that policy – in November 2018. And from then – if an account was to be paid off in over five years, then a default would be registered. And when Miss T reduced the payments to Argos in July 2018, that was when the payment term became more than five years. And so, that is why Argos offered to backdate the default to that date.

That seems to me to be a reasonable and practical way to resolve Miss T's complaint.

Miss T has argued that because she actually paid off the debt in October 2022, that was less than five years and so it should be backdated to March 2018. But I can only expect Argos to register a default (in line with their policy) based on the expected term of repayment – Argos can't reasonably be asked to backdate a default based on what happened in the future.

What would happen in this case is that if the debt was repaid in October 2022, Miss T's credit file would then be marked 'satisfied'. It would not mean the original default date or entry would be changed.

Therefore, for the reasons I've given, I agree that Argos should backdate the default to July 2018. Given that more than six years have elapsed since then, this entry will now come off Miss T's credit file.

If Miss T wishes to accept this outcome, she should do so and Argos must then make the necessary adjustments to her credit file. **(continued)**

My final decision

I uphold this complaint. Home Retail Group Card Services Limited trading as Argos Financial Services must:

- Backdate the default on Miss T's credit file to July 2018.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss T to accept or reject my decision before 4 November 2024.

Martin Lord
Ombudsman