

The complaint

Mrs T complains that Home Retail Group Card Services Limited trading as Argos Financial Services (Argos) acted irresponsibly in lending to her.

What happened

In December 2017 Mrs T applied for an Argos credit card. Her application was successful with Argos setting a credit limit of £600. In May 2019 Argos increased the credit limit to £720 and in April 2020 they further increased it to £870. Mrs T said despite making repayments since 2017 she's struggling to clear the outstanding balance. She said she was no longer employed, and that Argos had acted irresponsibly in lending to her. She complained to them.

Argos said they'd assessed Mrs T's credit worthiness on opening the account and for each credit limit increase. This showed Mrs T had a low level of indebtedness and that there was little to no risk of her being unable to sustain her repayments.

Mrs T wasn't happy with Argos' response and referred her complaint to us.

Our investigator said that because of the passage of time Argos couldn't provide all the information they'd used at the time of the lending, and so asked Mrs T to provide evidence of her income and expenditure. Based on this our investigator said the lending was affordable and so Argos hadn't acted unfairly or unreasonably in lending to Mrs T.

Mrs T didn't agree and asked for an ombudsman 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.

I know this will disappoint Mrs T but having done so I've reached the same outcome as our investigator, I'll explain why.

Firstly as Argos has consented to our service looking into the complaint, I don't need to consider whether it has been brought within the time limits set by the regulator.

I've considered the relevant rules and guidance on responsible lending set by the regulator, laid out in the consumer credit handbook (CONC). In summary, these say that before Argos offered the account it needed to complete reasonable and proportionate checks to be satisfied Mrs T would be able to repay the debt in a sustainable way. But it's important to note Mrs T was being provided with a revolving credit facility rather than a loan. And this means that Argos was required to understand whether a credit limit of £600 could be repaid within a reasonable period, rather than in one go. A credit limit of £600 required relatively low monthly payments to clear the full amount that could be owed within a reasonable period.

Due to the passage of time as its more than six years since the account was opened Argos has explained they hold limited information about the application and the checks conducted. But from their records Mrs T said she worked part time, and the checks they conducted with

a credit reference agency (CRA) showed Mrs T had low indebtedness and met Argos' credit risk criteria.

Argos' risk scores showed a customer indebtedness index (CII) of 0 for Mrs T. A CII score of between 40-50 would typically mean a customer is highly indebted, and over 50 would typically be deemed as overindebted. So, a zero-score showed Mrs T wasn't indebted elsewhere.

Mrs T's risk score was 665 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 Mrs T's application was approved, so her score of 665 was over this threshold.

There's no set list of the checks a lender needs to undertake. Mrs T had shown she was in employment (evidence provided by Mrs T to us supports this) and the credit checks had showed she had little credit commitments elsewhere. Argos' terms and conditions say the minimum monthly repayment would be 3.2% of the outstanding balance but no less than £5. Given the opening credit limit was £600, the minimum repayment if Mrs T had chosen to draw down the full amount would have been around £20 a month. This would have been the required minimum repayment but to clear the revolving debt in a reasonable amount of time I'd expect a repayment of around £30 a month. I think the checks made by Argo showed that Mrs T should have been able to repay the lending within a reasonable period. 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 her application.

In May 2019 Argos increased Mrs T's credit limit by a further £120 to £720. Argos has shown they did a CRA check and whilst Mrs T's indebtedness score had increased from 0 to 5, this was still low and most likely related to the credit she'd taken on with them. They also used an Arrears and Account Management Index (AAM), a score provided by a CRA that indicates a customer's risk of default, ranging from 0 to 95 with lower scores indicating a higher risk.

Mrs T's score was 95.

Argos also had evidence of how Mrs T was managing her account with them. Whilst Mrs T generally only paid the minimum amount, she'd never used more than 30% of her credit limit of £600. But I can see from Argos' notes that Mrs T had made them aware around a month prior to the credit limit increase that her circumstances had changed as she'd just had a baby around this time. So, I think Argos should have performed checks that were more searching at this time. But even had they been more searching, I'm not persuaded that Argos would have seen sufficient evidence that would give concern that Mrs T couldn't sustain the repayments. I'll explain why I say that.

Mrs T has provided her bank statements for around the time of the lending, while this didn't show a salaried income, as at this time Mrs T was presumably on maternity leave. Her statements do show she was in receipt of benefits and had regular payments into the account. She wasn't using an overdraft and she'd access to funds from another bank account. The increased lending was for a further £120, and if fully drawn down would mean an additional monthly financial commitment of around £6 a month. Mrs T hadn't used her previous credit to its original limit, and there weren't any signs of financial vulnerability. So, I don't think Argos acted unfairly or unreasonably in lending to her.

In April 2020 Argos increased Mrs T's credit limit by a further £150 to £870. Argos has shown they did a CRA check and whilst Mrs T's indebtedness score had increased from 5 to

8, this was still low. They again used the AAM score provided by a CRA. Mrs T's score was 40 which was lower than previously.

Argos also had evidence of how Mrs T was managing her account with them. And prior to the increase Mrs T was paying more than the minimum amount. In the three months prior to the credit limit increase Mrs T's required minimum payment would have totalled £31.39, she made payments totalling £96.39. As the credit limit increase of £150 if fully used meant an additional monthly financial commitment of around £8 this would have shown Mrs T was able to sustain any additional repayment. Mrs T had only used around 50% of her credit limit. And there weren't any signs of financial vulnerability. So, I don't think Argos acted unfairly or unreasonably in lending to her.

I understand Mrs T will be disappointed by my decision but I hope Mrs T is reassured that her concerns have been listened to. But for me to reach a different outcome I'd have to find Argos had done something wrong, and for this complaint I don't think they have.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. But for the reasons I've already given, I can't conclude that Argos lent irresponsibly to Mrs T or otherwise treated her 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 don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs T to accept or reject my decision before 5 March 2025.

Anne Scarr
Ombudsman