

## **The complaint**

Mr S complains that NewDay Ltd trading as Argos Classic Credit Card (Argos) irresponsibly lent to him.

## **What happened**

Mr S was approved for an Argos credit card in April 2020, with a £450 credit limit. The credit limit was increased in August 2020 (to £1,000), in January 2021 (to £2,000) and in March 2021 (to £3,500). Mr S complains the lending was irresponsibly lent to him. Mr S made a complaint to Argos, who did not uphold Mr S' complaint. They said the affordability assessments were appropriate and proportionate. Mr S brought his complaint to our service.

Our investigator did not uphold Mr S' complaint. She said Argos' checks were proportionate, and they made fair lending decisions. Mr S asked for an ombudsman to review his complaint. He made a number of points. In summary, he said he wasn't asked to provide information for the affordability assessment (such as wage slips or bank statements), and he had a number of defaults, which led to him later entering an Individual Voluntary Arrangement (IVA).

## **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 S, 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*

I'll address the credit limit increases later on. Argos said they looked at information provided by Credit Reference Agencies (CRA's) and information that Mr S provided before approving his application. The information shows that Mr S had declared a gross annual income of £51,400.

The data showed Mr S had no public records – such as a County Court Judgement (CCJ), but he did have a default which was registered 14 months prior to the checks. It may help to explain here that, while information like a default on someone's credit file may often mean they're not granted further credit – they don't automatically mean that a lender won't offer borrowing. So I've looked at what other checks Argos made to see if they made a fair lending decision.

There were no current arrears, or any arrears on Mr S' active accounts in the six months

prior to the checks. Mr S was showing as having an active debt to gross annual income ratio of 12.78% which would equate to him having around £6,569 of active unsecured debt.

The data showed Argos completed an affordability assessment for Mr S. Argos used information from a CRA (so they were aware of Mr S' monthly credit commitments) and modelling to estimate Mr S' outgoings. While Mr S has said they didn't request evidence from himself such as pay slips or bank statements, Argos aren't required to request items such as these for each lending decision, as this would not always be proportionate. In the absence of any recent adverse credit file information, the relatively low debt to income ratio he had, and the initial credit limit being £450, I'm not persuaded that it would have been proportionate for Argos to have completed further checks here.

The affordability assessment showed that Mr S should be able to sustainably afford repayments for a £450 credit limit.

So I'm persuaded that the checks Argos completed for this lending decision were proportionate, and they made a fair lending decision to approve Mr S' application with a £450 credit limit.

#### *August 2020 credit limit increase - £450 to £1,000*

A CRA reported that Mr S' active unsecured debt was £16,227 at the time of the checks, which was significantly higher than at the account opening stage. Mr S was not showing as having any active accounts in arrears at the time of the checks, and none of his active accounts had been in arrears since the Argos account had been opened.

Argos would also have been able to see how Mr S managed his account since the last lending decision. Mr S incurred no overlimit or late fees since the account had been opened. While Argos completed an affordability assessment, and they used Current Account Turnover (CATO) to assess Mr S' income – which is an industry standard way of assessing income (and therefore it is not automatically proportionate for a lender to request wage slips/bank statements).

But the CATO figure used was more than double of the net income Argos calculated only months earlier when they opened the account. While I can't rule out any pay rises/promotions/bonuses etc which Mr S could have had during this time, I'm persuaded that Argos should have completed further checks here based on the significant increase in unsecured debt in only a number of months since the Argos account had been opened, and the income discrepancy, to ensure Mr S could affordably sustain repayments for a £1,000 credit limit.

There's no set way of how Argos should have made further proportionate checks. One of the things they could have done was to contact Mr S to ask him about his recent increase to his active unsecured debt, and to ask him what his net income was. Or they could have asked for his bank statements as part of a proportionate check to ensure the lending was sustainable and affordable for him.

Mr S has provided his bank statements leading up to this lending decision. The statements showed he generally earned between £705-£740 a week. There were two occasions where Mr S had a returned direct debit (to the same company) which could be a sign of financial difficulty, but it could also be an oversight. Mr S often transferred money to/from a savings account with the same bank. So I asked Mr S if he could forward these statements to me, but Mr S was unable to provide these.

In the main it does appear what Mr S transferred from his bank account into his savings

account was transferred back. But without the statements I've viewed the monthly balance on the savings account. On 3 June 2020 it was 46p, on 3 July 2020 it was £270.49, and on 3 August 2020, it was £250.52. So it would appear that Mr S may at times have had enough disposable income in order to save. I can also see on his 3 June 2020 statement that there was a new direct debit for £30 to an external savings account, which could also support that Mr S at times may have been able to save some of his disposable income (albeit I could not locate this direct debit on his next two statements).

Mr S did not use an unarranged overdraft over the three statement periods I looked at. And he had disposable income for non-priority expenditure at times. So if Argos would have completed further checks, it would appear that despite what Mr S was paying for his monthly credit commitments, that he would have the affordability to be able to sustainably afford repayments for a £1,000 credit limit. So I'm persuaded that Argos made a fair lending decision here.

#### *January 2021 credit limit increase - £1,000 to £2,000*

A CRA reported that Mr S' active unsecured debt was at £12,435, which was a lot lower than it was at the last lending decision, which suggests that not only could Mr S service his debts since the last lending decision, but also have disposable income to significantly reduce his overall active unsecured debt. Mr S had not been in arrears on any active unsecured account since the last lending decision.

Mr S incurred no late or overlimit fees since the last lending decision for his Argos account. He also made repayments which were typically higher than his minimum repayment, which I wouldn't expect him to be able to make if he was financially struggling at the time of the credit limit increase. So based on this information, it wouldn't have been proportionate for Argos to have asked Mr S for further information such as payslips or bank statements.

So I'm persuaded that Argos' checks were proportionate here, and they made a fair lending decision to increase the credit limit to £2,000.

#### *March 2021 credit limit increase - £2,000 to £3,500*

In the month that the lending checks were completed for this credit limit increase, a CRA reported that Mr S' active unsecured debt was at £11,912, which was lower than it was at the last lending decision, which again suggested that not only could Mr S service his debts since the last lending decision, but also have disposable income to reduce his overall active unsecured debt. Mr S had been in no arrears on any active unsecured account since the last lending decision.

Mr S incurred no late or overlimit fees since the last lending decision for his Argos account. And again, he also made a repayment which was higher than his minimum repayment since the last lending decision. So based on the checks, it wouldn't have been proportionate for Argos to have asked Mr S for further information such as payslips or bank statements.

So I'm persuaded that Argos' checks were proportionate here, and they made a fair lending decision to increase the credit limit to £3,500. I'm not persuaded that it would have been foreseeable to Argos that Mr S would enter an IVA, as this was registered after the last credit limit increase, and not prior to the £3,500 credit limit increase.

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 S 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.

### **My final decision**

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 27 November 2025.

Gregory Sloanes  
**Ombudsman**