

Complaint

Ms C has complained that Home Retail Group Card Services Limited (trading as “Argos Card”) irresponsibly provided her with a store card and credit limit increases. She’s said the credit was unaffordable for her and resulted in her experiencing ongoing difficulties.

Background

This complaint concerns a store card Argos Card initially provided to Ms C in June 2015. Ms C was initially given a credit limit of £400. This credit limit was then increased on eight occasions at the following times:

November 2015 - £480
May 2017 - £600
June 2018 - £900
March 2019 - £1,350.00
July 2019 - £1,600.00
November 2019 – £1,850.00
October 2021 - £2,100.00
September 2022 - £2,350.00

One of our investigators looked at everything provided and was not persuaded that proportionate checks would have shown Argos Card that it shouldn’t have provided Ms C with the store card or the limit increases. So she didn’t think that Ms C’s complaint should be upheld.

Ms C disagreed with our investigator’s conclusions and asked for an ombudsman’s review of the complaint.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

Having carefully considered everything, I’ve decided not to uphold Ms C’s complaint. I’ll explain why in a little more detail.

We’ve set out our general approach to complaints about unaffordable and irresponsible lending - including the key relevant rules, guidance and good industry practice - on our website.

Argos Card needed to take reasonable steps to ensure that it didn’t lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Ms C could afford to repay what she was being lent in a sustainable manner.

These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and the consumer’s income and expenditure.

With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate. But certain factors might point to the fact that Argos Card should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These factors, are not limited to but, include:

- the *lower* a consumer's income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- the *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the *greater* the frequency of borrowing, and the longer the period of time during which a customer has been indebted (reflecting the risk that prolonged indebtedness may signal that the borrowing had become, or was becoming, unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

I've kept all of this in mind when deciding Ms C's complaint.

Argos Card's decision to provide Ms C with a store card account and the first three limit increases

As the first three increases were for relatively low amounts and took Ms C's limit to maximum of £900, I think it's reasonable to consider the opening of Ms C's store card and the first three limit increases together.

What's important to note is that Ms C was provided with a revolving credit facility rather than a loan. This means that to start with Argos Card was required to understand whether credit limits of up to £900 could be repaid within a reasonable period of time. It's fair to say that a credit limit of up to £900 didn't require especially high monthly payments, in order to clear the full amount that could be owed within a reasonable period of time.

Argos Card has said that it carried out credit searches which showed that Ms C didn't have any recent significant difficulties repaying credit. She had no county court judgments recorded against her during the period of these lending decisions and I've not seen anything to indicate that she'd previously defaulted on credit at the time of these lending decisions either.

Ultimately, it was up to Argos Card to decide whether it wished to accept the credit risk of taking on Ms C as a customer provided it was reasonably entitled to believe that the credit was affordable and it reasonably mitigated the risk of harm to her going forward. I'm satisfied that Argos Card did mitigate this risk by providing Ms C with a low credit limit to begin with and gradually increasing her limit in low increments.

As this is the case, I think that the checks Argos Card carried out before providing Ms C with a store card with a limit of £400 and the first three limit increases, were reasonable and proportionate.

Therefore, I'm satisfied that Argos Card was reasonably entitled to provide Ms C with a store card and her first three limit increases.

Argos Card's decisions to increase Ms C's credit limit to £1,350.00 in March 2019; £1,600.00 in July 2019, £1,850.00 in November 2019, £2,100.00 in October 2021 and finally £2,350.00 in September 2022

As I've explained in the background section of this decision, Argos Card offered to increase Ms C credit limit on a further five occasions. While the amount of the individual limit increases themselves could be said to be modest (£450, £250, £250, £250 and £250) the cumulative effect meant that Ms C could have been left in a position where she would have to repay between £1,350.00 and £2,350.00, plus interest, within a reasonable period of time.

As Ms C ended up being provided with limits of this much, I would have expected Argos Card to have found out more about Ms C's income and expenditure (including her regular living expenses and existing credit commitments) before providing these credit limit increases.

This is especially as it had been sometime since the account has been initially opened and there was the possibility that some of the information being relied on was now out of date. As there's no suggestion that Argos Card did this, I don't think that the checks it carried out before it offered the final five limit increases were reasonable and proportionate.

At this point, bearing in mind Ms C's response to our investigator's assessment, I think that it would help for me to explain that even though I don't think that Argos Card did enough to establish whether the repayments to these limit increases were affordable, this doesn't on its own mean that Ms C's complaint should be upheld.

This is because I would usually only go on to uphold a complaint in circumstances where I am able to recreate what the checks in question are likely to have shown – typically using information from the consumer – and this clearly shows that the repayments in question were unaffordable.

Therefore, I've gone on to decide what I think Argos Card is more likely than not to have decided, in relation to offering these limits increases, had it done that here. As I've explained, given the circumstances here, I would have expected Argos Card to have had a reasonable understanding about Ms C's regular living expenses as well as her income and existing credit commitments.

I've considered the information Ms C has provided us with a view to understanding what such checks are more likely than not to have shown. Having done so, this information appears to show that Ms C did have the funds, at the time of the lending decisions at least, to make the required payments to limits of between £1,350.00 and £2,350.00 within a reasonable period of time.

To explain, Ms C has provided bank account statements covering some of the relevant period. The first thing for me to say is that Argos Card did not need to obtain Ms C's bank statements before lending. So I've not looked at these bank account statements because I'm of the view that Argos Card ought to have obtained them from Ms C.

However, the statements provided do show that Ms C was receiving regular funds and when her regular living costs and monthly expenditure are deducted from what she received, Ms C does appear to have enough in funds left over to make the increased repayments needed for the limit increases offered.

I accept that Ms C's actual circumstances may not have been fully reflected either in the information she's provided. For example, I note that she has referred to using her overdraft and her own personal situation which she's argued left her vulnerable. I'm sorry to hear

about the difficulties that Ms C went on to experience. But Argos Card wouldn't have known about Ms C's personal situation and as a result I can't reasonably expect it to have known about this or factor it into its decision to lend either.

Furthermore, given Argos Credit was providing limit increases for relatively small amounts and even the cumulative effect of these increases provided a total limit of £2,350.00, I don't think that the sort of financial review of her circumstances, or a financial resilience check of the type that Ms C is referring to now, was warranted.

For the sake of completeness, I would also add that while I've noted what Ms C has said about her overdraft usage, there isn't a prohibition on lending to a borrower using an arranged overdraft. So I don't think the fact that Ms C was using an overdraft means that Argos shouldn't have provided these limit increases either.

I also have to consider that Ms C wasn't mismanaging her store card in the period prior to these limit increases. Indeed, there is an argument that she was managing her account relatively well during this period. And Argos Card was entitled to consider its previous dealing with Ms C as part of any decision on whether to increase her limit.

It's worth noting that Ms C's balance in the month prior to the March 2019 increase was just over £700 against a limit of £900; in the months prior to the July 2019 and November 2019 increases it was just over £1,000.00 against limits of £1,350.00 and £1,600.00; in the month prior to the October 2021 increase it was just over £750 against a limit of £1,850.00; and finally prior to the final limit increase Ms C had a balance of just over £1,500.00 against a limit of £2,100.00.

Of course, I accept neither of these things in themselves (or when taken together) mean that Ms C wasn't experiencing difficulty. It's clear that Ms C's circumstances took a turn for the worse and I know that she later went on to experience difficulty making her payments. I'm sorry that this eventually led to her having to enter into a debt management plan ("DMP"). But this happened sometime after the final limit increase. And what I have to consider is whether Argos Card acted fairly and reasonably in offering the limit increases when it did. I don't think that Ms C's Argos Card usage demonstrated that her credit limit shouldn't have been increased on the occasions it was.

Therefore, this isn't a case where I can reasonably say that the limit increases and Ms C's account usage ought reasonably to have shown Argos Card that Ms C's indebtedness was rapidly increasing in an uncontrollable way, or that the pattern of lending here ought reasonably to have led Argos Card to conclude that it shouldn't have offered these limit increases to Ms C either.

In reaching my conclusions, I've also considered whether the lending relationship between Argos Card and Ms C might have been unfair to Ms C under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I've not been persuaded that Argos Card irresponsibly lent to Ms C or otherwise treated her unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

Overall and having carefully considered everything and while I appreciate that this will disappoint Ms C, I've not been persuaded that reasonable and proportionate checks would have shown Argos Card that it shouldn't have provided Ms C with this store card or the credit limit increases. And I'm not upholding this complaint. I appreciate this will be very disappointing for Ms C. But I hope she'll understand the reasons for my decision and that

she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms C to accept or reject my decision before 11 March 2026.

Jeshen Narayanan
Ombudsman