

complaint

Mr F has complained about an Argos store card account that he opened with Home Retail Group Card Services Limited (HRG). Mr F thinks HRG provided credit to him irresponsibly.

background

I issued a provisional decision about this complaint in November 2020 that I summarise below.

Mr F opened an Argos store card account with HRG in June 2014 with an initial credit limit of £650. HRG says the credit limit was reduced in June 2015 to £570. Mr F thinks HRG shouldn't have provided him with credit and that it should have realised when he applied to open the account that he was reliant on payday loans.

I explained the basis on which I would decide the complaint, in particular the checks that HRG needed to do such as the amount of credit being given, and the consumer's income and expenditure. With this in mind, I thought less thorough checks might be reasonable and proportionate in the early stages of the lending relationship. I also said that HRG was required to establish whether Mr F could afford to repay what he owed in a sustainable manner.

I've kept all of this in mind when thinking about whether HRG did what it needed to before it accepted Mr F's application for an Argos store card and provided him with an initial credit limit.

Before opening the account, HRG said that it checked Mr F's financial position using the data shown on his credit file. HRG told us that it uses credit scoring to help it decide whether to provide credit to an applicant. And that it considers such information as the applicant's employment and residential status, time with their bank, and information provided by various Credit Reference Agencies.

HRG says due to the passage of time, it isn't able to provide Mr F's application documentation from its system. But it says that his credit report showed five active accounts with no default status; there were no County Court Judgments and his credit score 'exceeded the average risk score'.

But I thought it would have been proportionate for HRG's checks to go further than they did.

HRG says that Mr F's income and expenditure would not have been recorded during his application. I thought it is difficult to establish whether repayments of credit would be affordable without an understanding of a consumer's income and regular monthly expenditure. Overall, given the limited information that I'd seen from HRG, I could not say that the checks it carried out before providing Mr F with credit were reasonable and proportionate.

I considered what HRG might have seen from its credit checks as Mr F provided us with a copy of his credit report from around the time he applied for his Argos store card. Credit reports differ in the level and detail of information they provide. But I thought it's reasonable to assume that the credit report that HRG is likely to have acquired at the time would have shown similar information to the credit report that Mr F sent us.

Mr F's credit report shows that he had been taking payday and short-term loans in the months leading up to his application to HRG. He also had other existing commitments to at least 2 credit cards and some other lending when he applied for his Argos store card with HRG. One of Mr F's credit cards had a balance of £257 against a credit limit of £500; the other card balance isn't shown in the report that Mr F has sent.

It's difficult to know exactly how indebted Mr F was when he applied to HRG for credit. But from what I'd seen, he doesn't seem to have had a very high level of indebtedness at the time. Nor did it seem likely that there would have been a great deal of adverse information on the credit report. Mr F had regularly been taking payday loans. But on balance, I didn't think his borrowing behaviour, or the levels of his outstanding credit had reached a point at which it would have been fair or reasonable to expect HRG to automatically decline Mr F's application for an Argos store card, based on what it's likely to have found in its credit checks.

However, as I explained, given the limited information available about Mr F's application and what he told HRG about his circumstances at the time, I couldn't say that HRG's checks overall were reasonable or proportionate.

But even if those checks weren't proportionate, it doesn't automatically follow that HRG was wrong to provide Mr F with credit.

Mr F provided bank statements from a joint account from around the time he applied for his Argos store card. I reviewed these carefully. Of course, different checks might show different things. But from what I'd seen, even if HRG had carried out more thorough checks at the time, such as requesting a bank statement, I couldn't fairly say that it ought reasonably to have concluded that it should decline Mr F's application for credit.

In the 3 months leading up to his application to HRG Mr F's joint bank account remained in credit; there are no significant signs of financial distress such as frequent returned requests for payment or high bank charges for an unarranged or arranged overdraft. The bank statements don't indicate gambling or very frequent borrowing from multiple short-term lenders, which might have signalled to HRG that Mr F was experiencing severe financial difficulties. I accepted that Mr F was borrowing from other short-term lenders; he might not have been in the best financial position and I recognised that later on Mr F did find it more difficult to manage his finances.

But on balance, I couldn't fairly say that when Mr F applied for an Argos store card, HRG ought reasonably to have concluded it would be irresponsible to provide him with credit. And I hadn't seen enough information for me to say that the credit limit that HRG gave to Mr F when it opened his account was inappropriate or unfair at the time.

Overall, I couldn't fairly say that HRG provided credit to Mr F irresponsibly or treated him unfairly in some other way.

I said I did not intend to uphold Mr F's complaint and I invited both parties to respond to my provisional decision. I have not seen any new evidence from either Mr F or from HRG and the deadline for providing any new information has now passed.

my findings

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

Given that I've not received any new evidence that changes my mind about this complaint, I confirm the conclusions I reached in my provisional decision.

I know Mr F will be disappointed by my decision, but I would like to reassure him I have carefully considered everything that both he and HRG have told us. Having done so, I do not uphold Mr F's complaint.

my final decision

For the reasons given above, I do not uphold this complaint or make any award against Home Retail Group Card Services Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 16 March 2021.

Sharon Parr
ombudsman