

The complaint

Miss D complains that Home Retail Group Card Services Limited (trading as Argos Card) acted irresponsibly in lending her a store card.

What happened

Miss D took out a store card with Argos Card in February 2016. The credit limit was £550.

The account fell into arrears in late 2016, and the balance was repaid in full by the end of 2017.

In 2023, Miss D complained that Argos Card should never have offered her the account. She said that when she'd made the application, she had recently missed payments on her existing credit commitments. So she thought that it should have been apparent to Argos Card that she was struggling financially and it was not responsible to lend to her.

In its final response, Argos Card said that it thought it had conducted reasonable and proportionate checks prior to offering the account, and the information it found didn't raise any concerns. Miss D wasn't happy with Argos Card's response and referred the complaint to our service.

Argos Card initially told our service it thought the complaint had been brought outside the time limits set by the regulator, and it didn't consent to us considering the complaint.

One of our Investigators looked into things. She thought the complaint had been brought in time. Argos Card accepted her opinion and consented to our service considering the complaint.

Our Investigator then considered the merits of Miss D's complaint, and didn't uphold it. In summary, she thought that Argos Card should have conducted further checks but that if it had it would likely have thought the account was affordable and sustainable.

Miss D disagreed. She provided a copy of her credit file from November 2022 and said the credit card had resulted in a default which had a severe impact on her, which would have occurred if the account hadn't been approved.

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.

As Argos Card has consented to our service looking into the complaint, I do not 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 Card offered the account it needed to complete reasonable and proportionate checks to satisfy itself that Miss D would be able to repay the debt in a sustainable way, without borrowing further elsewhere. As this was an open ended account, Argos Card also needed to consider whether Miss D would be able to repay the debt within a reasonable period.

Argos Card has explained that – due to the time that's passed – it holds limited information about the application and the checks conducted. It's explained that it conducted checks with a credit reference agency, which showed Miss D had relatively low indebtedness elsewhere and met its credit risk criteria.

Unfortunately, the full data Argos Card considered isn't available. Miss D has provided a copy of her credit file from November 2022 – which shows information for the preceding six years to mid-late 2016. Unfortunately, that means it doesn't cover the period prior to Miss D taking out the store card with Argos Card in February 2016.

On balance, I do not have enough evidence to reasonably conclude there was evidence available to Argos Card that Miss D was showing signs of financial stress due to the information it saw from credit reference agencies.

Argos Card said that Miss D would have needed to provide her employment status and income on application, but it no longer holds that information. The information it does hold shows Miss D declared she was in full time employment and living with parents. Miss D has provided our service with bank statements covering the three months prior to the application which showed she had income of around £1,280 a month.

In line with our Investigator, I think it would have been proportionate for Argos Card to ask Miss D further questions about her income and expenditure prior to offering the account, given the amount of credit it provided. I've considered the information in Miss D's bank statements to reconstruct the information it's likely she would have provided.

Looking at Miss D's bank statements, she had around £245 a month expenditure towards existing credit commitments and around £175 in essential living expenses (such as food, bills and petrol). As her income was around £1,280 at meant Miss D had around £860 disposable income a month.

I think sustainable repayments towards the account, if it were used up to the limit, would be around £28 – or around 5% of the balance. This would allow Miss D to repay the interest each month and to pay down some of the capital. As I've explained, Miss D had around £860 a month disposable income. So I think this payment would likely have been affordable and sustainable for her – and I think it's likely that would be what Argos Card would have found too.

For these reasons, although I think it would have been proportionate for Argos Card to conduct further checks, on balance I think it's likely that had it done so it would have still considered the account to be affordable and sustainable. So, I don't think it's reasonable to direct Argos Card to refund fees and interest to Miss D, nor to remove any late payment markers or defaults.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss D to accept or reject my decision before 8 February 2024.

Frances Young
Ombudsman