

The complaint

Miss T complains about how she was treated by Home Retail Group Card Services Limited trading as Argos Card (Argos) following a payment arrangement she came to. She's unhappy with the overall communication, the interest charged, and the impact on her credit file.

What happened

Miss T took out a credit facility with Argos. She fell into financial difficulty and, in February 2023, came to an arrangement to make reduced monthly payments towards her account. The arrangement was set to be in place for 36 months, and it required her to pay £60 monthly towards her outstanding balance. During this time, it was agreed that interest and charges would be frozen.

In January 2024, Miss T noticed that interest had started to accrue since around August 2023, and her account was showing in arrears, so she reached out to Argos. They explained that due to interest being frozen on her account, by August 2023, her balance had reduced to a level where the reduced monthly payments of £60 were now more than the minimum payment required with the interest frozen, so Miss T's account was now showing as up to date. This meant Miss T was no longer considered to be in financial hardship at that point, so the interest and applicable charges due under the account were switched back on from August 2023. This increased Miss T's contractually required monthly repayments to more than the £60 she was paying, and therefore, her account reflected as being in arrears.

To support Miss T, in January 2024, Argos agreed to refund any interest and charges accrued since the account fell back into arrears, and they applied a freeze to the interest moving forward again. However, they incorrectly advised Miss T that the refund would be credited to her bank account, rather than being applied to her account balance. So, they corrected this, and applied the refund to her Argos account which reflected in her February statement. But Miss T complained. She said she was unhappy with how the account had been managed and the communication she had received; the information Argos had provided in relation to her financial hardship; and the fact that arrears continued to be reported against her credit file. There was also a delay with her complaint being logged.

Argos apologised for not initially logging the complaint when she first called, and for incorrectly telling her the interest refund would be credited to her bank account, rather than her Argos account. But they maintained that they were right to reinstate interest and charges when they did, as Miss T was then paying more than the minimum repayment required under the account. In relation to the credit file, they said that when an arrangement is in place, the arrears on the account are not removed, and they will continue to be recorded alongside the payment arrangement until such time that the arrears are caught up. But Miss T remained unhappy and brought her complaint to our service.

An investigator considered Miss T's complaint, and recommended it be upheld in part. He said he was satisfied Argos had correctly applied interest to Miss T's account at the point she was able to pay more than the minimum repayment required with interest frozen. And he was satisfied they were right to credit Miss T's Argos account (rather than her bank account), for the interest and charges they'd agreed to refund. He was also satisfied that it wasn't

unreasonable for Argos to report adverse information to the credit reference agencies for the months Miss T's account was in arrears.

But he did think that Argos had failed to adequately communicate to Miss T that her 36-month payment plan would be coming to an end, and he also thought it was unhelpful that her statements continued to show £60 as the minimum repayment required, after it had in fact increased to above that amount. So, he recommended Argos pay Miss T £50 for any distress or inconvenience this may have caused.

Miss T remained unhappy however, so the case has been passed to me 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.

Looking first at the reduced payment plan. This was originally put in place as Miss T was struggling to maintain the minimum repayments towards her account. So, a fixed payment plan of £60 a month was set up to help Miss T at this time – and this was due to run for 36 months.

I appreciate Miss T is upset that this plan ended early, and that interest and charges began to accrue on her account from around August 2023. But I need to take into account that this plan was put in place because Miss T was struggling to maintain her minimum monthly repayments, and was considered for the purposes of this account as being 'in financial difficulty'.

When the interest was frozen on Miss T's account, her account balance started to reduce quicker than it otherwise would have, as no additional interest was being applied to it. And, as a result, the minimum payment showing as required started to fall, and the arrears on her account were caught up. Subsequently Miss T's balance eventually reduced to a level where her monthly repayments showing as required, were now less than she was paying. So, Argos removed the financial difficulties marker, and reinstated the interest on her account, as Miss T's account had been brought up to date, and she was able to pay more than the monthly repayment due. On the whole, I don't think this was unreasonable, given Miss T was now paying more than the minimum amount required with interest and charges frozen.

I appreciate that by reinstating the interest, Miss T's account fell back into arrears, as her contractual monthly repayment increased to more than the £60 she was paying. And I've thought about whether Argos should've reasonably foreseen this. But while its possible they should have, I can't conclude it was unreasonable for them to start to apply interest again (on what was an interest-bearing account), when it became clear Miss T was paying more than the minimum payment now required as a result of interest being frozen.

I appreciate Miss T feels this impacted her credit file, and I can understand why. But it's important to note, that while the payments required monthly were showing to be less than the £60 Miss T was paying as of August 2023, this is not the same as the minimum 'contractual monthly repayment' required, being less than the £60 being paid – as the contractual repayment would include interest and charges. So, I can't reasonably conclude it was unfair of Argos to record adverse information for the months in which Miss T was not paying the full contractual monthly repayments required (which would include an element of interest).

Following the above, Argos agreed to not only freeze interest, but they credited Miss T's Argos account by back dating the freezing of interest to cover the periods during which her

account was back in arrears. I think this showed that Argos treated Miss T positively and sympathetically during a period of financial hardship. I appreciate Miss T would've liked these payments credited to her bank account, as she was told they would be. But the information provided here by Argos was initially incorrect. And I'm satisfied they were right to apply this credit to her Argos account balance, rather than direct to her bank account, given she had a debt outstanding. So, for these reasons, I won't be asking Argos to do anything further here.

Miss T has argued that her statement didn't reflect the minimum amount she needed to pay each month contractually after the interest began to re accrue. And therefore, she was unaware how much extra she needed to pay to avoid her account going into arrears. I've thought carefully about this. But Miss T's account was brought up to date around six months after she entered into a 36 month plan due to financial difficulty, as a result of her interest being frozen, rather than as a result of making overpayments. And there's nothing to suggest that prior to the interest being turned back on, that she had sought to increase her monthly repayments to get her account out of arrears.

So, while I take on board the point Miss T has raised, I've not seen sufficient evidence to suggest that if the contractual payments due monthly had been reflected on her statements after the interest began to accrue on her account again, that she would have been in a position to pay this, given that she had set up a 36-month reduced payment plan, due to financial difficulties.

I appreciate Miss T is upset that the above has impacted her credit file. But financial institutions have an obligation to report factual information to credit reference agencies. And Miss T's account was in arrears for a large part of the arrangement that was put in place. So, from what Argos have told us about its reporting of arrears during this period, and from all of the evidence I've seen, I've don't think Argos were wrong to report adverse information to the credit reference agencies during the point at which Miss T's account remained in arrears.

I do note however, that when Miss T's contractual monthly payments due fell below the £60 she was paying, and that strictly speaking that arrangement had ended, that Argos could've done more to make this clear to Miss T. And for this I agree she should be compensated. But equally, given that I don't think this would have materially changed the position her account was in, the compensation I am awarding here remains modest. So, for similar reasons to those set out by the investigator, I'm instructing Argos to pay Miss T £50 for any distress or inconvenience this may have caused.

My final decision

My final decision is that I uphold Miss T's complaint, and instruct Home Retail Group Card Services Limited trading as Argos Card to Pay Miss T £50 for the distress this matter would've caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss T to accept or reject my decision before 10 January 2025.

Brad McIlquham
Ombudsman