

The complaint

Mr K's unhappy with the way that Creation Financial Services Limited has treated him after he told it he was in financial difficulties and that his mental health had deteriorated.

What happened

Mr K lost his job and suffered a car accident. He'd had mental health concerns for some time and these got much worse in early 2019. Mr K had a significant number of creditors, one of which was Creation - with which he had five accounts.

Mr K's mental health problems left him in a very vulnerable state. In April 2019, with the help of his friends, he wrote to all of his creditors, including Creation, to explain that he was presently unable to deal with his finances. He asked for time to recover and said that, when he was well enough, he'd then make a proposal to deal with his debts.

Creation acknowledged Mr K's request and put a temporary hold on his accounts. It was empathetic towards Mr K's situation and said it would need him to complete a statement of assets and liabilities and provide proof of income as well as evidence of his health conditions. Whilst Creation did make a couple of telephone calls to Mr K after it first heard of his situation, it did later action his request to remove his telephone details from his account, as calls were something that Mr K found very difficult.

Mr K endeavoured to keep Creation up to date with his personal situation, sending it some medical evidence of his condition at the end of June 2019. Following this, Creation repeated its request to Mr K that he engage with it and provide his financial and health information. It was this that prompted Mr K's complaint. He didn't think Creation was treating him fairly - or properly taking into account how vulnerable he was.

Creation didn't uphold Mr K's complaint. It thought that it had treated him sensitively and with empathy, although it said it did need the information it was requesting in order to help Mr K further.

Mr K wrote to Creation again in October 2019. He provided an update on his health situation, which had worsened, and some medical evidence. In November 2019, Creation sent Mr K a number of demand letters requiring that he contact it within 48 hours. It was these that ultimately prompted Mr K to bring his complaint to this Service.

Since then, Creation has transferred some of Mr K's accounts to debt collection agencies. Creation didn't inform them of Mr K's reasonable communication adjustments. And the debt collectors have been contacting him by email, text message and phone since. Mr K has told us that this has had a very detrimental effect on his mental health and his recovery.

Our investigator recommended that Mr K's complaint be upheld. And he thought Creation should pay him compensation of £500 for the trouble and upset he'd been caused. Mr K agreed with this although Creation didn't. It accepted it should have done more to let the debt collection agencies know about Mr K's situation. But it said that, otherwise, it had treated Mr K positively and sympathetically.

Creation said that in order for it to help Mr K, he needed to help it by providing the information that it had reasonably requested. It suggested that £50 compensation would be reasonable for its failings with the debt collectors.

Our investigator didn't change his mind. So, Creation requested an ombudsman's review and decision.

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.

I've decided to uphold this complaint. I'll explain why.

I was very sorry to hear about Mr K's personal circumstances. I appreciate that this period cannot have been easy for him. Fundamentally, the outcome of this complaint centres on whether Creation have done enough to recognise Mr K's vulnerability and adapt its processes accordingly.

I accept that Creation has, for the most part, given Mr K a significant grace period in dealing with the defaults on his accounts. And, at the start, I think it showed empathy in giving Mr K some time to deal with the situation he was in. But what I think Creation has failed to acknowledge here is that, despite it not being unreasonable for it to expect Mr K to provide it with details of his financial position and evidence of his ill-health, these weren't things that Mr K was able to do at the time.

Mr K had clearly set out for Creation that the very fact of dealing with his finances was making his health worse. And he'd been advised to step back completely from this to help him recuperate. So what he was requesting, not unreasonably, was to be given a lengthy period of forbearance so that he could recover.

I appreciate that Creation needed the information that it had requested so that it could help Mr K further with a repayment plan. But I do think that it should have done more to adapt its processes for the significantly difficult situation Mr K found himself in. Any attempt to deal with his finances was just making his health worse. And he'd told Creation this. So I do think that Creation could have done more here.

I will say that whilst Creation didn't do all that I think it could have done, it did try to deal with Mr K's situation sympathetically, although I think that it got a little too caught up in its own internal processes to fully recognise Mr K's personal vulnerabilities and the reasonable requests that he was making. In particular, things worsened considerably when a few of the accounts were passed to two different collection agencies. Creation acknowledges that it should have done more to let them know about Mr K's situation. But it doesn't think this warrants the level of compensation that our investigator has recommended.

In deciding what would be fair compensation for the trouble and upset caused to Mr K, I need to take into account his personal circumstances and the effect that Creation's actions have had on him. Whilst for a non-vulnerable customer, a lower amount of compensation might, in some cases, be reasonable - here Mr K's health has suffered more and his recovery period has been extended because he hasn't been fully able to focus on his health, rather than his finances.

Of course, this wasn't just down to Creation's actions. But I agree with our investigator that the degree to which Creation has contributed to this, means that £500 is an appropriate level

of compensation. The effect on Mr K has been much more considerable than it would have been for someone with less vulnerabilities.

My final decision

It's my final decision to uphold this complaint. I require that Creation Financial Services Limited pay Mr K £500 compensation for the trouble and upset that he's been caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 11 September 2020.

James Kennard
Ombudsman