

## **The complaint**

Mr S' complaint about Creation Financial Services Limited (CFS) relates to an increase in his credit limit on his credit card account. This was increased twice in 2017/2018, which Mr S feels was irresponsible, as well as complaining that he was pressured into setting up a payment arrangement.

He also complains that late payment charges, interest and over limit fees have been applied to his account.

## **What happened**

CFS increased Mr S' credit limit in June 2017 from £6,000 to £7,000. It was increased for a second time on 1 January 2018 from £7,000 to £8,500. In May and June 2019 Mr S was unable to make his full monthly repayment and after that he wasn't able to make any repayments.

CFS said that Mr S met their lending criteria for both credit limit increases. They also said that when Mr S was in financial difficulty they referred him to their Customer Support Team in May 2019, but he was unwilling at that time to provide his income and expenditure details and so a temporary payment arrangement for three months was put in place.

CFS also said that in December 2019 they offered Mr S the opportunity to speak with their specialist team dealing with vulnerable customers, but he declined that, and instead suggested a payment level of £150 per month which he said was affordable. So, CFS did not think they had acted unfairly.

Mr S was unhappy with CFS's final response and so approached this service to see if we could assist in resolving the dispute. As our investigator thought CFS hadn't done anything wrong, Mr S asked for the complaint to be passed to an Ombudsman for a final decision.

## **What I've decided – and why**

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I issued my Provisional Decision on the 25 February 2021 and both Mr S and CFS have responded. CFS have provided more information in the form of two spreadsheets in an attempt to further explain how the credit limit increases were approved. Mr S responded to clarify that he had been off work from June 2017 until mid-September of that year receiving only SSP from his employer. He also notified this service that he had received a letter from a debt collection agency acting on behalf of a third party who had recently bought his credit card debt from CFS, and that was causing him additional stress.

Dealing with that last point first, it is not something I can consider as it does not relate to this complaint against CFS, and it is not something CFS have initiated nor had the opportunity to respond to.

In relation to Mr S' health I was aware that he had indicated his health had been affected and I have taken that into account. As I said in my provisional decision I was very sorry to hear of the impact this matter has had upon Mr S' health and I repeat that I do hope he has improved.

There are two parts to Mr S' complaint which I shall deal with separately.

### **Increase in Credit Limit**

The relevant rules and guidance say that CFS was required to assess whether Mr S was able to repay any borrowing in a sustainable manner. Those rules and guidance are found in the Financial Conduct Authority's (FCA) Consumer Credit sourcebook, along with best practice guidance from other organisations. They require businesses to undertake a reasonable assessment of a customer's creditworthiness before they significantly increase a customer's credit limit. And also, to consider how any increase may adversely impact a customer's financial situation, by taking into account;

- the information it already has about the customer at the time of the increase
- the ability of the customer to make repayments as they fall due
- information obtained from a credit reference agency (CRA), and
- information on a consumer's credit file plus any one of these three:
  - 1) the customer's income and financial commitments
  - 2) how they have handled their finances in the past
  - 3) internal credit scoring techniques

In Mr S' case the first credit limit was an increase of £1,000 on an existing credit limit of £6,000. This is a significant increase. Mr S does not recall being asked any questions by the CFS agent about his financial situation at this time. CFS have confirmed that this credit limit increase was dealt with over the telephone and they have produced a copy of the agent's notes. These are brief and in so far as they are relevant indicate that Mr S' credit limit was increased in accordance with a pre-approved limit.

CFS did not initially provide any evidence of how that pre-approved limit was calculated. What is now produced is a spreadsheet that contains some further information. Of note there is a bureau score, a last payment date, information on missed payments which in Mr S' case show none in the last 12 months.

CFS have also stated that Mr S passed all the rules they had in place at the time for their limit increases and described in general terms what criteria they looked at. Despite this further new information, and in the light of the rules and guidance I refer to above, I remain of the view that I cannot be satisfied that CFS has undertaken a reasonable assessment of Mr S' creditworthiness before significantly increasing his credit limit. In these circumstances I think they have acted unfairly and irresponsibly.

In relation to the second increase in credit limit I can see that CFS sent Mr S a letter dated 15 December 2017 informing him that it would be increasing his limit and advising him on what to do if he didn't want it. So, I think Mr S had the opportunity to reject the increase if he wanted to. CFS has also now produced a second spreadsheet which contains more

information than the first. Whilst all this information can be useful, I cannot see it shows how CFS assessed Mr S' creditworthiness or his ability to make repayments as they fell due.

So, I remain of the view that I again cannot be satisfied that CFS undertook a reasonable assessment of his creditworthiness before significantly increasing his credit limit on these two occasions. In these circumstances I think they have again acted unfairly and irresponsibly.

### **Payment Arrangement**

This element of the complaint surrounds the telephone call on 17 December 2019. During that call Mr S feels he was pressured into agreeing a repayment plan. I have asked CFS to produce a copy of the call, but they say they are unable to because the retention period for their call recordings is 12 months.

I can however see that CFS responded to this element of the complaint in its final response letter on 24 March 2020 stating it had listened to the call and did not agree that its agent had pressurised Mr S. That is the best evidence there is of what happened during the conversation on the telephone since there is no other record of what was said. As I can't listen to the call, it is impossible for me to make any accurate assessment of it, but based upon the account provided in the final response letter which indicates that Mr S agreed to the repayment amount and confirmed it was affordable, I am satisfied that there wasn't any pressure brought to bear upon Mr S.

I cannot see that CFS have demonstrated that it undertook a reasonable assessment of Mr S' creditworthiness either in June 2017 or when making the second increase a few months later.

I appreciate I have been told what their general position is regarding increasing credit limits, and I also acknowledge I've been told that the increase was in accordance with a pre-approved limit. But there is little evidence to support how that limit was arrived at nor what was considered in doing so. And there is an absence of any evidence as to what CFS enquired of Mr S' income and financial commitments.

I have noted Mr S says he sustained a breakdown in June 2017 followed by a period from work. Had CFS followed the rules and guidance set out above they would have learned valuable pertinent information regarding his creditworthiness, and considering his account history, and the rise in his balance when awarding the second increase at the end of 2017, they would have learned his financial position was worsening at that time.

### **Putting things right**

I require CFS to remove any interest and charges applied after the credit limit increases and pay compensation of £200 to Mr S in respect of the trouble and upset caused.

### **My final decision**

Creation Financial Services Limited shall remove any interest and charges applied to Mr S' account after each credit limit increase and pay compensation of £200 to Mr S in respect of the trouble and upset caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 14 April 2021.

Jonathan Willis  
**Ombudsman**