

The complaint

Mr F is unhappy Creation Consumer Finance Ltd (Creation) didn't default his account when he experienced financial difficulties in 2018.

What happened

In 2016, Mr F entered into an interest free loan with Creation.

In early 2018 Mr F's health unfortunately deteriorated, and this caused him to experience some financial difficulties. He contacted a debt charity for help, and they set up a debt management plan for him. Mr F started making reduced payments to Creation through the plan in May 2018 and continued until Creation sold the account to a different company in October 2018.

In May 2020 Mr F complained to Creation, as he realised that unlike his other creditors, Creation had decided not to default his account. He didn't think this was fair. He said adverse information about this account would still be visible on his credit file, long after the information about his defaulted accounts had been removed. So, he felt Creation should resolve things by asking the credit reference agencies to report a backdated default.

Creation didn't uphold the complaint as they said they had reported accurate information to the credit reference agencies, and they had followed all appropriate guidance when doing so. Our investigator agreed and said Creation were under no obligation to default Mr F's account due to his financial difficulties.

In response, Mr F said that in addition to not defaulting the account, Creation continued to chase him for payments and increased his debt by adding charges. He also said the debt management plan was never formally agreed, as he didn't receive an acceptance letter from Creation.

As our investigator's opinion remained the same - I've considered the complaint afresh.

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 would firstly like to reassure Mr F and Creation that although I have only summarised the background and arguments in the section above, I have read and considered everything provided about this complaint in its entirety.

Mr F has provided a letter from August 2018. It says Creation intended on adding a £30 charge to his account, as he had cancelled a direct debit. I can understand why Mr F believes this is evidence Creation continued to add charges, and I also appreciate this letter is likely to have caused him some worry. However, I have carefully reviewed the statement of account, and I'm satisfied no charge was added. I think it's likely this letter was generated automatically, and Creation therefore didn't intend for it to cause the confusion or concern

that it did. Unfortunately, Creation haven't been able to provide their contact notes, so I can't determine how regularly they called Mr F about his account. However, based on the evidence we do have on file, I haven't seen anything which would suggest the contact he received from Creation was unreasonable or excessive.

Mr F has said the debt management plan was never formally agreed, as he didn't receive written confirmation of it. Creation haven't provided our service with a copy of an acceptance letter. However, I note that the proposal they received from the debt charity specifically said their acceptance would be assumed unless they heard otherwise. I don't find this to be unusual, and I'm satisfied that based on Creation's actions they accepted the terms of the plan. I know Mr F feels strongly that he should have received a confirmation letter, but this doesn't mean an agreement wasn't made, or that his account should have been defaulted. I would also reasonably expect Mr F to have contacted the debt charity directly, if he had any concerns about this issue.

Creation does have some discretion in relation to deciding whether their customers' accounts should be defaulted. However, I would reasonably expect them to consider the individual circumstances fairly and refer to any appropriate guidance. The Information Commissioner's Office (ICO) guidance about defaults and credit files is relevant here. In summary, it says that a default would normally be registered when an account is between three and six months in arrears. But a default won't normally be applied, if a customer maintains all of the payments under an agreed reduced payment plan. Such temporary arrangements may last for some time but are generally expected to revert to the contracted terms at some future point. If reduced payments aren't accepted by a lender due to them being too low or token payments, a default may still be applied.

I'm satisfied Creation applied the above guidance fairly, as Mr F didn't miss any contractual payments before entering into the agreed debt management plan, and none of the reduced payments were missed either. While it's clear Mr F unfortunately experienced a change in circumstances in 2018, I don't think Creation had sufficient grounds to reasonably conclude he wasn't going to be able to resume his contractual payments in the future. So, I think they acted fairly by accepting the terms of the plan and giving Mr F the breathing space to see if his circumstances were going to improve. The fact no charges were added to the account was also beneficial, as it meant all of Mr F's payments went towards reducing the balance. Creation also acted in a manner I would reasonably expect when they sold the account, as they shared the details of the debt management plan with the new company to minimise any disruption.

Mr F has highlighted the fact his other creditors defaulted his accounts and said this is one of the reasons he feels he's been treated unfairly by Creation. I do appreciate his logic here, and why he's found this upsetting. However, each of Mr F's creditors would have needed to make an individual decision. As the circumstances surrounding each account may vary, it stands to reason that the information shared with the credit reference agencies may also differ. So, I don't agree with Mr F that not upholding this complaint, must automatically mean his other creditors treated him unfairly.

I know Mr F will be disappointed by this decision and feels strongly that all of his accounts should be removed from his credit file at the same time. But for the reasons I've explained, I'm satisfied Creation treated Mr F fairly and weren't required to default his account. As such, I won't be directing them to take any further action to resolve this complaint

My final decision

I'm satisfied Creation haven't acted unfairly, so I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 29 September 2021.

Claire Greene
Ombudsman