

The complaint

Miss M complains that Creation Consumer Finance Ltd miscalculated her outstanding loan balance, chased her for payments after she had agreed an arrangement to pay with a debt collection agency, falsely accused her of ending two phone calls, and referred her debt to another agency while her complaint was still outstanding.

What happened

In January 2018 Miss M entered a running account credit agreement with Creation, and used it to purchase goods from a third party. The loan was to be repaid over 24 months. Miss M set up a direct debit, but some of the payments were returned, and no payments were made at all between May and October 2019. In October 2019 the debt was passed to a collection agency and a repayment plan was agreed, but Miss M complains that Creation still continued to try to take payments from her. The debt was later brought back to Creation in June 2020, but Mrs M disputed the amount which Creation said was still outstanding. She said Creation was trying to overcharge her by over £90.

Miss M phoned Creation to try to sort this out, but she says two phone calls were abruptly ended by the call handlers. She was later told that these calls had been ended by her, which she denies. She also says one of the call handlers agreed with her own figure for the outstanding balance. She complained, and while her complaint was still outstanding her debt was passed to a new collection agency.

Creation apologised to Miss B for its staff having told her that she had hung up on the two calls. It said that both of the call handlers had put Miss B on hold, and when they had returned to the calls they had found that the calls had been disconnected at Miss B's end, which they had summarised as her having hung up. Creation accepted that she had not hung up, and apologised for using that term. But it did not uphold any other aspect of her complaint. It said that interest is charged daily, and since not all of the monthly payments had been made on time, extra interest had been charged on the arrears and on the returned direct debit fees, which accounted for the balance being higher than Miss B had expected.

After Miss B complained to our service, Creation said that it had been entitled to refer her debt to an agency whether or not there was a complaint outstanding. This would not interfere with the handling of her complaint or affect the outcome.

Our investigator did not uphold this complaint. He said Creation had been entitled to charge Miss B extra interest, and he referred her to the clause in the credit agreement which said this would happen. Miss B did not accept this opinion, and she pointed out that nobody had addressed her complaint about Creation and Moorcroft both trying to take payments from her over the same period. She asked for an ombudsman to review her case.

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.

The outstanding balance

I have checked Creation's balance figure myself, and it is accurate. The outstanding balance includes extra interest which Miss B did not take into account. (Also, Miss B's own calculations were wrong, as I will explain.)

The cost of the goods Miss B purchased was £699.99. The total opening balance is given in the credit agreement as £840.96. I have seen another figure for that in another document, £841.04, but this cannot be right, because both documents agree that the loan was to be repaid over 24 monthly payments of £35.04, and that amount times 24 is exactly £840.96. So I have used the lower figure for the opening balance.

The total charge for credit is therefore the difference between £699.99 and £840.96, which is £140.97.

However, I have added up all of the interest which Creation charged Miss B, and it comes to a total of £263.73. That means Creation has charged her £122.76 in additional interest as a result of the returned direct debits, which it was entitled to do under the terms of the credit agreement.

Creation also charged Miss B a total of £110 in fees, but two fees of £30 each were refunded after she phoned Creation to explain her situation. Creation also credited another £50 to her account; this might not have been a refund of fees because it has been recorded differently on her payment history. Assuming it was not a refund of the remaining fees, Creation therefore charged her a total of £172.76 in addition to the original amount repayable. This means that the new total amount repayable is £1,013.72.

Not counting the returned payments, Miss B made payments adding up to £458.75. Adding the £50 which Creation credited to her account makes £508.75. The difference between £1,013.72 and £508.75 is £504.97, which is the same arrears figure that appears in Creation's payment history. I am therefore satisfied that it is accurate. (It is equal to the figure of £484.78 which Creation gave Miss B in June 2020, plus three more months' interest charged since then (£20.19), before the account was transferred to the second collection agency.)

In Miss B's own calculations, she did not include the additional interest. (She also left out the £60 of refunds, and counted the £50 credit twice.) I don't know why one of Creation's call handlers still agreed with her figure for the outstanding balance, but I'm afraid that they were wrong.

Creation and the collection agency

As I've said, in October 2019 a collection agency was instructed to collect the debt. This continued until May 2020, when the agency transferred the debt back to Creation. I have looked at her payment history, and it shows that the last direct debit payment she made to Creation before October 2019 was in May 2019 – not that there were direct debits which were returned, but there were no payments at all. Then in October 2019 she resumed making payments to Creation by direct debit. This means that she must have cancelled her original direct debit and then set up a new one to Creation instead of to the collection agency.

Creation's account notes show that the only contact it had with Miss M during that period (May to October 2019) was a phone call she made to Creation in November 2019 (and indeed Miss M has not suggested that Creation was writing to her or calling her during that period, only that Creation was trying to take her money). The call handler's note of that

phone call states that he or she told Miss M that her account was now with the agency and that she should be sending her payments to the agency, not to Creation.

The payments still continued until February 2020, and then stopped, and the payments from December 2019 had each been all returned. In May 2020 the agency returned the debt to Creation, and in June Creation wrote to Miss M, which was its first contact with her since the call in November. So Creation did not pro-actively contact Miss M while the debt was with the agency, and it took no action to collect money from her other than to receive her direct debits, which continued to happen after it had told her to stop. So I cannot uphold Miss M's complaint about this issue.

Other matters

Creation was entitled to refer the debt to a second collection agency, and since this did not affect her complaint, no disadvantage was caused to her by doing so.

Finally, I think that Creation's apology is fair redress for having suggested that Miss M had hung up on the two phone calls, and that the payment of compensation for that issue is not necessary.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 1 November 2021.

Richard Wood

Ombudsman