

## **The complaint**

Mr S, who is represented by Citizens Advice, complains that Creation Consumer Finance Ltd didn't tell him he owed money and that it notified credit reference agencies of his subsequent arrears.

## **What happened**

I have had a limited response from Creation and the information is not as detailed as I would expect. However, from what I have seen it appears Mr S had a loan agreement with Creation for the purchase of furniture from a retailer I will call R. Mr S disputed multiple parts of it and this resulted in a sofa being returned. Mr S continued to pay £20 per month, but he says he was told he was in credit and need make no further payments. Subsequently Creation passed the outstanding sum to a debt collection agency and notified the credit reference agencies.

Creation in its final response letter says that during a call in October 2017 Mr S was told that his account was in credit, but there was a remaining balance of £294.20. It says he was asked if he wished to set up a direct debit but declined to do so as he was saving for Christmas. It says he agreed to call after Christmas to pay the balance but failed to do so.

Mr S brought his complaint to this service where it was considered by one of our investigators who didn't recommended it be upheld. He concluded the balance was due and it would be inappropriate for it to be written off. He also presumed that as the debt had been transferred to a debt collections agency that Mr S would have been told about this. Mr S didn't agree. I issued a provisional decision as follows:

I said Mr S's complaint centred on a conversation he had with Creation in late 2017. We had asked for a copy of the call recording along with other relevant documents, but Creation had not been able to supply it. I asked for further details from Creation about the account but I received a limited response.

I had seen Creation's version of what was said in that call, but I couldn't say for certain that it was made clear to Mr S that he owed an outstanding sum. Having considered the evidence provided to this service I was satisfied that at the very least Mr S was unclear as to what he owed as a result of that conversation. I said it may be that Creation had sent him subsequent letters regarding the debt but given it hasn't responded to request for information I couldn't safely conclude that it had done so. The only letter I had seen was the final response letter to Mr S's complaint.

In the circumstances Creation hadn't persuaded me that Mr S was made aware of his debt with sufficient clarity and I didn't consider it fair that his credit rating had been affected. On the balance of probabilities, I considered it likely that Mr S did owe £294.20 and it would be fair for Creation to be paid that sum. However, due to the lack of clarity I considered it unreasonable for Mr S's credit file to be affected.

I thought Creation should recover the debt from the collection agency and make arrangements with Mr S to pay the sum due. It should also arrange for all adverse entries

relating to this debt to be removed from his credit files. I considered it should also pay him £100 compensation for the distress and inconvenience he has suffered.

I said that if Creation did provide additional evidence this may result in me changing my 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 have not heard from Mr S or Citizens Advice. Creation said it had sent a copy of a letter in relation to a separate complaint which it thought I should see. It sent me a copy of the final response letter which I had seen previously. This was issued in December 2019.

It also said that it had sent a letter in 2019 which stated how much was owed. I assume this means the December letter since no other was attached. It also sent templates of letters it says would have been issued about defaulting the debt. The date for the first of these was given as 14 April 2020.

This is after Mr S made a complaint and I believed misses the point as set out in my provisional decision. I concluded that it had not been made clear to Mr S in 2017 that he owed further sums and that failure was the key element of the complaint. I agree it has been brought to his attention subsequently, but the complaint was brought to this service in April 2020 and I cannot say that subsequent letters can be said to have an impact on the earlier failure.

As such I consider my provisional decision should stand. I am satisfied that Mr S owes the money and it should be paid, but the debt should not affect his credit files.

### **Putting things right**

Creation should remove any adverse entries it place on Mr S's credit file relating to this debt and pay him compensation.

### **My final decision**

My final decision is that Creation Consumer Finance Ltd should remove all adverse entries on Mr S's credit file relating to this debt and engage with him to arrange payment of the sum due of £294.20. It should also pay him £100 compensation for the distress this longstanding issue has caused him.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 15 December 2021.

Ivor Graham  
**Ombudsman**