

The complaint

Mr R complains that Creation Financial Services Limited (“Creation”) reduced the credit limit on his account significantly without explaining why.

What happened

Mr R has a credit card account with Creation. He’s had the account for some time and says he has never missed or been late with a payment. The credit limit on the account was £9,500. In January 2021, Creation reduced it to £500.

It wrote to Mr R to tell him this had happened. When he received the letter, Mr R called Creation to query the decision. This conversation prompted various calls and emails from Mr R to Creation as he tried to get to the bottom of why his credit limit had been reduced. He says he was told initially that there was an issue with his credit score, so he obtained his scores from both the Credit Reference Agencies Creation said it used. He says the scores came back as “*excellent*” and “*good*”. Mr R says that, when he pointed this out to Creation, it said its decision was based on its internal lending criteria, but it wouldn’t provide any details.

Mr R couldn’t understand why Creation had reduced his credit limit, especially by so much. He says the Creation card is his main credit card and he uses it for work. He complained to Creation and asked it to reinstate the credit limit of £9,500. Creation said it couldn’t do that. It said the decision to decrease the credit limit wasn’t based solely on how Mr R’s account had been maintained, or on his credit score. It said it couldn’t say what criteria was used to make the decision, but that the decision couldn’t be revisited.

Mr R wasn’t happy with Creation’s response and brought his complaint to this service. Our Investigator asked Creation for information supporting its decision to reduce the credit limit. But Creation didn’t provide it. So our Investigator couldn’t conclude that Creation had treated Mr R fairly. He recommended that Creation put Mr R’s credit limit back to £9,500.

Creation accepted our Investigator’s view that it didn’t act fairly when reducing the credit limit. But it said it couldn’t increase it because the amount of credit it provides to a customer is a decision to be made by Creation, in line with its terms and conditions and its internal lending procedure.

I issued a provisional decision on 4 November 2021. I provisionally upheld the complaint. But, rather than direct Creation to increase the credit limit, I provisionally directed it to pay compensation of £150 to Mr R. Creation agreed with the provisional decision. But Mr R was disappointed that his credit limit would remain at £500. He suggested an alternative outcome whereby Creation pays some compensation to him on a monthly basis until it resolves the issue with the credit limit, presumably by increasing it.

Now that I’ve heard back from the parties, I’m making a final decision on this complaint.

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 thought about everything again and I've carefully considered Mr R's comments on the provisional decision. I'm sorry to disappoint Mr R, but I haven't changed my mind about the appropriate outcome here. I've explained the reasons for my decision below.

I'm satisfied that Creation was entitled to decrease the credit limit on Mr R's account. But it needed to act fairly and reasonably in doing so. As I explained in my provisional decision, I can't conclude that it acted fairly here. That's because I haven't seen any information about why it reduced the credit limit, the information it used, the factors it considered or the procedures it followed. I haven't been provided with any further information about this since issuing my provisional decision. So my thoughts on this haven't changed and I'm going to uphold this complaint. I'll now consider what Creation needs to do to put things right.

Mr R is disappointed that his credit limit is still £500. He would like it to be higher. I've thought about what he said about this. But Creation was entitled to reduce the credit limit. It doesn't have to lend and, where it does, it's Creation's decision who it lends to and on what basis. I'm not aware of any financial loss or hardship to Mr R as a result of the credit limit decreasing. So I'm not going to ask Creation to increase the credit limit. And I'm not going to ask it to pay compensation to Mr R on an ongoing basis until it increases the credit limit, as I think the effect of that would be to punish Creation for not increasing the credit limit, in circumstances where it doesn't have to.

But Creation needs to do something to recognise the impact of its decision on Mr R and the way it dealt with the situation. The factors I've taken into account include the lack of information from Creation, the fact that the decrease was so significant, the fact that Mr R has had to make other arrangements to pay for things which he would usually have paid for with the Creation card and the trouble he was put to obtaining credit scores and liaising with Creation, only for it to say it wouldn't review the decision about the credit limit.

In the circumstances here, I still think that £150 is a fair amount of compensation for the distress and inconvenience caused to Mr R.

My final decision

For the reasons above, I uphold this complaint. My final decision is that Creation Financial Services Limited should pay compensation of £150 to Mr R.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 4 January 2022.

Katy Kidd
Ombudsman