

The complaint

Mr L complains that Creation Financial Services Limited has reduced the credit limit on his credit card, and he said it did this without a proper explanation. He pays a fee for the card, and the benefits he usually receives now can't be obtained.

What happened

Mr L said he'd held his Creation card for five years. But recently Creation had reduced his credit limit from £10,000 to £500, a 95% reduction. He said he understood that a company can determine its own lending criteria, but he said Creation had told him this decision was partly due to information obtained from Credit Reference Agencies ("CRAs").

Mr L said his personal circumstances hadn't changed, so he was very alarmed as this CRA information must be wrong. But he said Creation wouldn't tell him what it was.

Mr L said his credit card had a £99 per year fee, but if he spent £10,000 on the card in a year, he would get a free night at any hotel in the associated chain. He said that's why he pays the fee. But with the new credit limit, he could no longer obtain this.

Mr L wanted -

- details of the adverse CRA scores used by Creation so he could contact the CRA concerned and correct it,
- restoration of his previous credit limit or a full refund of his £99 fee for the card, and
- a gesture of goodwill to reflect the hassle and anxiety caused by concern over his credit score.

Creation said it had taken this decision based on information received from CRAs. It said it had taken a number of factors into account. It wrote to Mr L on 9 December to tell him about the lowered limit. Creation said it wouldn't change this back. It was sorry that it had promised to call Mr L back, then not done so, and it paid £50 in compensation for that.

Creation said that it was entitled, under the terms of Mr L's account, to change the credit limit. It said Mr L's balance had been considerably below his new limit, for five out of the six months before the limit was reduced. And it said he'd stayed under the new limit, after the change. So it didn't think that this change had caused Mr L any financial difficulty.

Creation said Mr L had kept using the card, so he had been charged the £99 annual fee again in March 2021. But if he wanted to cancel the card, Creation would refund that fee.

Our investigator thought the reason Mr L's credit limit had been reduced would be because of Mr L's account usage, not because of his credit file. But I don't think that Creation had intended us to understand this, from what it said. It has said that it reduced this credit limit because of something on Mr L's credit file. And I have seen internal emails sent within Creation that confirm what it had initially told Mr L about the reason for the change.

As Mr L had understood this was an issue with card use, he's shown us that he has now started travelling again, which means that spend on the card has increased. And he said he

wanted to keep the benefits this card provides for him. He said he would accept the offer of a refund of fees, as long as he could keep these benefits.

Creation's offer to refund fees appears to be based on Mr L cancelling his card. It hasn't offered to refund this money if Mr L wants to retain the card.

Our investigator then wrote to say he didn't think this complaint should be upheld. He said Creation had followed its own terms and conditions, and was entitled to reduce Mr L's credit limit. He said Creation had agreed to refund Mr L's annual fee. He didn't think the account had been mis-sold, because Mr L had been able to earn the reward he wanted, in the years prior to the pandemic. And, as Mr L hadn't been spending over his new limit in the majority of the months before his limit was reduced, he didn't think that this change had caused Mr L financial hardship.

Our investigator said that Creation couldn't forward a copy of Mr L's credit file, but Mr L could access this himself if he would like to.

Our investigator didn't think Creation had been unreasonable, as it had followed its own process. So he wouldn't ask it to do any more.

Mr L replied, to say he wasn't happy with this, and he felt this conclusion didn't follow from his previous conversations with our investigator. Mr L said his financial position was very good, so Creation couldn't be telling the truth about why it had changed his limit. He thought the underlying problem was with Creation, not with him, and it was acting unreasonably with the intention of forcing him to stop using this card. He said even if our service couldn't stop Creation from doing this, we should be calling out what it's doing.

Because no agreement was reached, this case came to me for a final decision.

My provisional decision

I issued a provisional decision on this complaint and explained why I did not propose to uphold it. This is what I said then:

I'm sorry to have to tell Mr L that I don't think this complaint should be upheld. I understand that this will be very disappointing for him, particularly as I've reached this decision for such different reasons. So I'd like to start by setting out our service's overall approach to lending, before I look at the issues in this case.

It's clear that any lending involves some risk to the business doing that lending. Our service would generally say that (however big or small this risk looks to us) it's still a matter for the business that's actually lending the money to assess that risk, and decide if it wants to take it. Whilst we do sometimes say that a business shouldn't have lent, perhaps because the lending looks unaffordable or irresponsible to us, we don't usually say that the business should have lent, when it's decided not to.

So Creation doesn't have to lend Mr L money, in the same way that Mr L doesn't have to have a card with Creation. Both sides are allowed to choose who they do business with.

I understand that Mr L doesn't have the same choices here that he might have with an ordinary credit card, because this card comes with additional benefits which are important to Mr L. And because of that, I know Mr L would like, ideally, for Creation to just reinstate his old credit limit. But it would be very unusual for our service to tell a business that it must lend someone more money.

I'll now turn to the details of this complaint. I think I ought to set out clearly for Mr L that I do think that the reduction Creation made in Mr L's credit limit was because of a concern that it had over something on its credit file. Creation has confirmed this to our service. And I have seen internal evidence which shows that the "risk score" Creation has, based on information from Mr L's credit file, did change around the time that Mr L's credit limit was reduced.

Creation hasn't refused to share information about this with our service. It's simply said that it's not able to recreate the position of Mr L's credit file as it was when this decision was taken. But it has said that everything which is on Mr L's credit file is information Mr L has access to.

Creation is responsible for the decisions it makes. And it's told us it doesn't think this decision was a mistake. I've not seen anything to suggest that Creation has made a mistake here. I can see that Creation has acted within the terms of Mr L's account, in making this change. And I've not seen anything to make me think that the decision Creation took was actually for a different reason, as Mr L has suggested.

I've also considered whether this decision was implemented unfairly or unreasonably, and I don't think it was. Mr L's account was below the limit that Creation reduced his card to, and that new limit was in keeping with the usage he'd made of his card in the last six months. I know that this new limit means Mr L can't easily access the benefits he had previously, but I've not seen anything to suggest that this change has caused Mr L financial hardship.

I know there's a fee for this card, and Mr L won't now be able to use it in the same way. He is, however, still using it, so I don't think I can assume he'll no longer want the card. That must be a decision for Mr L himself. However, I do think it's reasonable for Creation to have said it would only refund Mr L's annual fee if he closed his account. I don't think Creation has to provide Mr L with a card and refund the fee, if Mr L does decide he wants to keep using it.

So I haven't been able to see that something has gone wrong here, in the parts of what's happened that Creation is responsible for.

Creation is not, though, responsible for all the information which is held on Mr L's credit file. I understand why Mr L thinks this must be wrong, given what he's told us about his overall financial situation. I can see our investigator suggested Mr L might want to look at his credit file himself. That's what I would also suggest, when someone's concerned about the content of the file. Mr L can check the information on his credit file, and if that does require amendment, he can discuss that with the relevant CRA.

I understand just how disappointing Mr L will find this, but I don't think that this complaint should be upheld.

I invited the parties to make any final points, if they wanted, before issuing my final decision. Both sides have replied.

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.

Creation said it was happy with my provisional decision, and it had nothing to add.

Mr L replied very quickly, to say that he wasn't happy with my provisional decision. He wanted me to clarify the concept of financial hardship in relation to a credit card. He said he wasn't in hardship, he clears the balance of his credit card in full each month.

Mr L wanted to stress the inconvenience the new limit caused him, as he now has to make several small payments each month to be able to use the card. He wanted to know how anyone could use a period covered by a pandemic as representative of his spending patterns when he couldn't stay away from home at the time. He said he could have increased his spending if Creation had warned him he needed to do so.

Mr L asked how it was acceptable for him to be charged a fee for a card that he couldn't get the benefit from. He said I'd assumed he was getting a benefit from the card, and he wasn't.

Mr L wanted us to ask Creation what information he would need to provide to have his credit limit increased

Although our service doesn't normally write to people at this point, I was concerned that Mr L's reply focussed on spending on the card, as the reason for the reduction in his credit limit. So I did write to Mr L then, to clarify the position.

I explained that my role in this case is to conduct a complete review, and I'm not bound by any of the conclusions our service has reached previously. Here, I'd reached a different view. I don't think Creation reduced Mr L's credit limit because of the usage of his card. I think it was because of something on his credit file, which is what Creation originally told him. I encouraged Mr L to access his file.

I also said that I didn't think it would be appropriate for us to seek to intervene now to raise Mr L's limit back to its previous level. And I noted that our service's website does have further information on what constitutes financial difficulties, but like Mr L, I don't consider this is relevant here.

Mr L then sent us a copy of his credit file. He said there were no grounds for the severity of the credit limit reduction by Creation. He said the only issue he could see was two missed payments on a hire purchase agreement, which he said were a mistake. Mr L explained the circumstances behind this, and said he was seeking to have these removed.

Mr L said I was now focusing on his credit rating, but I continued to refer to his spending in the previous six months to suggest a new limit of £500 was appropriate, without accepting that he'd spent less then because of the pandemic. He said he had no choice now but to stay under the limit. That didn't mean his limit was appropriate. He repeated that he was making multiple payments onto the card each month to stay under the limit.

Mr L also said that this card is no longer available to new customers, so he couldn't cancel and reapply in future.

Mr L said he would now accept a different settlement. He needs to spend £10,000 per year to get the benefit of the card, so he would be happy with an initial credit limit of £1,500. He wanted Creation to agree to review his creditworthiness so he could work back towards his old credit limit. And he wanted the fee refunded for this year because he couldn't meet the spending target to get the benefit in this year. Mr L said that if Creation wouldn't do that, he thought it would be because it was trying to force existing customers off this card.

Mr L also objected to me saying that Creation had handled this as should be expected. He said the size of the cut was disproportionate. He thought Creation's story had changed (with the reason for the reduction changing from credit rating to spend). He said Creation couldn't evidence its decision or set a context as to where he sits in the credit status of its customer base when he had an above average credit rating. He said it had reset his credit limit based on a completely unfair and erroneous sample of spending in a pandemic. And it had given him no right of appeal, unlike other cards he held which had reduced the limits.

Mr L said that Creation might not have to give him a card, but he had been its customer for over five years, with no missed payments, and it had already taken his annual fee before it reduced the limit.

Mr L was very angry, he said it was no resolution for me to say the only options were either to cancel a card he couldn't reapply for, or to keep the card and be ripped off by Creation.

Mr L also shared with us negative reviews of Creation which he sourced from the internet. He sent evidence that he's making multiple small payments each month, to stay under the newly reduced limit. And he said he still needed to spend almost half of the required amount to qualify for the annual bonus on the card, in a little over three months.

I understand that Mr L is very upset by my decision. He has hoped that our service would intervene to restore his previous credit limit. But I've explained why it's not appropriate for our service to engage with Creation in the way that Mr L wants.

Mr L referred to a number of points in my provisional decision. In that decision, the section titled "*What happened*" sets out the history of the case before it came to me. I noted there the view our investigator had reached. But I haven't agreed with that view.

I don't think that Creation ever changed its story. It has always said, to Mr L and to us, that it reduced Mr L's credit limit because of something on his credit file. It looks to me as if our investigator offered Mr L a different explanation because he had misunderstood what Creation said. I've not seen anything to suggest that Creation made its decision for any reason other than the one it gave us. And that also means I don't think Creation is trying to force Mr L off this card for reasons to do with the profitability of this card.

Mr L has told us that there couldn't be anything wrong with his credit file, because nothing had changed. He's now sent us the file, and there are missed payment markers there, for a hire purchase account. Those are dated September and October 2020.

Creation reduced Mr L's credit limit in December 2020. Regularly scheduled credit reporting from companies usually appears on someone's credit file several weeks after the month of the report, so the change to Mr L's credit limit happened at the same time as I would expect Creation to have become aware of the second missed payment marker.

Having seen these, Mr L says these markers were a mistake, and I understand that he's asked the relevant business to remove them. I noted in my provisional decision that Creation isn't responsible for everything which appears on Mr L's credit file. So if these markers were a mistake, that's not Creation's fault.

Mr L doesn't think that Creation's response was proportionate, and says he's had no difficulty getting credit elsewhere. But I've explained that, generally speaking, it's for the business making the lending to decide on the amount of lending it wants to make, and the risk it wants to accept. And here, I won't require Creation to take a bigger risk than it's prepared to accept.

So I haven't reached the view that the credit limit reduction was the right move for Creation to take, or that this new limit is acceptable for Mr L based on his recent spending, or indeed on anything else. That's just not a decision for me to make. It's for Creation to decide this.

Mr L has confirmed that this change didn't cause him any financial hardship. So, as long as lending remains responsible, it's my view that the amount it's prepared to lend Mr L is simply a matter for Creation. In the same way that it doesn't have to continue to offer Mr L this card, it doesn't have to continue to offer the same amount of lending to Mr L. And because the amount of lending here is essentially a decision for Creation, it also doesn't have to give Mr L a right of appeal against any reduction.

Mr L's limit was reduced in December 2020. The annual fee was charged in March 2021. So this happened well after, not before, Mr L's limit was reduced. I know Mr L had complained before the fee was charged, but I still don't think it's unreasonable for Creation to charge for a card which carries an annual fee, and which Mr L continued to use.

I haven't assumed Mr L is getting a benefit from his card. I said that I wouldn't presume to make a decision for Mr L as to whether he wanted to keep this card, or not. This remains a choice for him to make.

Mr L has recently told us that the company which had placed negative markers on his credit file has agreed to remove these. Once this action is completed, Mr L may then wish to ask Creation to review its lending to him. But, for the reasons I've set out above, I won't tell it to do so now.

I know that Mr L will be disappointed, but I still don't think this complaint should be upheld.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 19 January 2022.

Esther Absalom-Gough
Ombudsman