

## **Complaint**

Ms B has complained about a credit card Creation Financial Services Limited (“Creation”) provided to her. She says the credit card and subsequent credit limit increases shouldn’t have been provided because she already had a poor credit history.

## **Background**

Creation initially provided Ms B with a credit card in May 2011. The credit limit eventually reached £1,300.00. One of our investigators reviewed what Ms B’s complaint and he thought Creation shouldn’t have provided Ms B with her credit card or increased the credit limit. Creation didn’t respond so the case was passed to an ombudsman for a final decision.

## **My findings**

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Ms B’s complaint. Having carefully considered everything I’ve decided to uphold Ms B’s complaint. I’ll explain why in a little more detail.

Creation needed to make sure it didn’t lend irresponsibly. In practice, what this means is Creation needed to carry out proportionate checks to be able to understand whether Ms B could afford to repay any credit it provided. Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

Despite being provided with almost two years to do so, Creation hasn’t provided anything at all about the checks it carried out before it provided Ms B with her credit card, or agreed to increase her credit limit. I find Creation’s lack of a response and its apparent disregard of its DISP 1 obligations to be extremely disappointing. Nonetheless, I’ve looked at the information Ms B has provided about her circumstances at the time in an attempt to decide what I think reasonable and proportionate checks are more likely than not to have shown Creation.

I think reasonable and proportionate checks are likely to have involved finding out about Ms B’s income and, at least some of, her expenditure. The information Ms B has provided suggested that she entered into a Debt Management Plan (“DMP”) in the not too distant future after this card was provided. I can also see other accounts which were provided in and around this time period and which also got into difficulty too.

So I'm persuaded by what Ms B has said about having a poor credit history and an inability to pay at the time. And while it's possible she could have entered into a DMP through choice rather than because she couldn't afford to repay her creditors, in the absence of any reasonable or plausible arguments from Creation, I've been persuaded to accept Ms B's version of events.

As this is the case, I do think that Ms B's existing debts meant that she was unlikely to be able to afford the payments to this credit card, without undue difficulty or borrowing further. And as reasonable and proportionate checks should have extended into finding out about Ms B's income and expenditure, I'm satisfied that they would more like than not have shown Creation that it shouldn't have provided this credit card to Ms B, in the first place, or increased the credit limit. As Creation provided Ms B with this credit card, notwithstanding this, I'm satisfied that it failed to act fairly and reasonably towards her.

Ms B ended up paying interest, fees and charges on credit she shouldn't have been provided with. So I'm satisfied that Ms B lost out because of what Creation did wrong and that it should put things right.

Creation should put things right by reworking Ms B's account so that all interest, fees and charges applied to it from the outset are removed. The effect of removing these interest, fees and charges will result in Ms B having paid Creation more than she needed to by the time her balance was cleared. So the extra Ms B paid should be treated as overpayments and returned to her along with 8% simple interest† on the overpayments from the date they were made until the date of settlement. Creation should also remove any adverse information it recorded on Ms B's credit file.

† HM Revenue & Customs requires Creation to take off tax from this interest. Creation must give Ms B a certificate showing how much tax it has taken off if she asks for one.

### **My final decision**

For the reasons I've explained, I'm upholding Ms B's complaint. Creation Financial Services Limited should put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms B to accept or reject my decision before 22 February 2022.

Jeshen Narayanan  
**Ombudsman**