

## The complaint

Mr B complains that Creation Financial Services Limited (Creation) treated him unfairly when it reduced the credit limit on his credit card by £7,500, without giving him any notice.

## What happened

Mr B had a credit card account with Creation which for some time had a credit limit of £9,700. On 15 July 2021, Creation made the decision to reduce Mr B's credit limit to £2,200. It issued a letter to Mr B confirming this on the same day. Unfortunately, Mr B didn't receive this letter until 21 July 2021. In the meantime, Mr B had tried to use the card to make a purchase, which was declined. Mr B says the card being declined caused him embarrassment, and the reduction had a detrimental effect on his credit file, due to the sudden increase of his credit utilisation.

Mr B complained to Creation. In response, it said as part of its commitment to responsible lending it regularly reviews the credit limits of its customers to make sure they are still suitable. And the decision to reduce Mr B's credit limit was based upon a number of factors including information it had received from credit reference agencies and its own internal lending criteria. It apologised for the inconvenience caused when Mr B's card was declined and credited his account with £50 in recognition of this.

Mr B was unhappy with this resolution and so brought his complaint to this service. Unfortunately, Creation didn't initially provide any information to our investigator. So, she upheld Mr B's complaint, saying due to lack of evidence she couldn't say if Creation had acted fairly when it reduced the credit limit. Creation did later provide its business file and when the investigator reviewed the evidence, she felt this changed things and recommended Mr B's complaint shouldn't be upheld. In summary, she said:

- she was satisfied Creation had made the decision to reduce the credit limit in line with its own lending criteria.
- Creation did duly consider Mr B's average balance, was lower than the £2,200 limit that it was setting, in the 12 months prior to the reduction, so wouldn't cause any undue financial pressure to Mr B.
- The terms and conditions allow Creation to vary credit limits without any prior notice and so Creation hadn't acted unfairly when doing so.
- Even though a reduction in credit limits can have an impact on credit utilisation, and in turn potentially impact a customer's credit score. She didn't feel this meant a lender should fail in its duty to ensure borrowing is affordable and so didn't think Creation had done anything wrong here.
- She understood that Mr B felt embarrassed when his card was declined. But, felt the apology Creation had offered and the £50 it paid to him for this was fair.

Mr B disagreed with the investigator's findings and so the matter has now been passed to

me to decide.

### **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.

Having done so, I have to tell Mr B that I've reached the same outcome as the investigator and for broadly the same reasons, I'll explain.

I've considered what Mr B has said about Creation acting unfairly in reducing the credit limit and in not giving him any notice of the reduction. In doing so I've considered the terms and conditions of the account and I believe there are two relevant sections here within them:

Under the heading "Credit Limit":

*"we will decide at our discretion on the amount of credit we grant under this agreement and will notify you in writing of the credit limit and of any sub- credit limits which may from time to time (as notified by us to you) apply to cash advances and each part of this agreement. We will notify you of changes to your credit limit in writing from time to time."*

And under the heading "Variation"

*"we may, at our discretion, vary the credit limit (and any sub- credit limit), the payment due date, the payment period and any of the charges. We may also vary any interest rate and the terms of any promotional purchases (without affecting any promotional purchases already made by you)..."*

Creation is entitled, as a business, to make decisions about the amount of credit it is willing to provide. Like all lenders, it has an ongoing responsibility to make sure the credit limits it offers to its customers are suitable and affordable. As part of this ongoing duty it conducts regular reviews to determine any changes it needs to make. It bases the decision for any changes on various things such as: its own lending criteria and information it gathers from external sources such as credit reference agencies, as well as other factors. It does not have to disclose the details of its internal criteria as this information is commercially sensitive.

It has said, following one such regular review, it made the decision to reduce the limit on Mr B's card based on information provided to it by a particular credit reference agency. There is nothing within the terms and conditions that say Creation needed to give Mr B any notice, if it decided to reduce his credit limit. And so, I'm satisfied that Creation has acted in line with the terms and conditions of the account, and its lending criteria, and was entitled to reduce Mr B's credit limit without giving him notice.

I've gone on to consider what Mr B has said about the impact of the credit limit reduction on his credit file. He said it's affected his credit utilisation percentage, which in turn could lower his credit score. I understand the point that Mr B is making, as this can form part of the credit score. But it only forms a part of the score, with other factors such as making regular payments and staying within credit limits, also contributing. I haven't seen any evidence to show that there was any detriment caused to Mr B's credit score as a result of Creation's actions, or that he has been refused credit because of it. So, I can't fairly say Creation has done anything wrong here.

Lastly, I've considered the embarrassment Mr B suffered as a result of his card being declined. Creation has accepted that this wasn't ideal and apologised to Mr B giving him £50

for the inconvenience. I'm persuaded this is fair compensation for what happened, and this is broadly in line with what I would have awarded had Creation not upheld this part of his complaint. So, it follows, I won't be asking Creation to do anything further.

I do understand Mr B's strength of feeling about this complaint, and I know this outcome will be disappointing for him. But my decision ends what we – in trying to resolve his dispute with Creation – can do for him.

### **My final decision**

For the reasons set out above, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 15 April 2022.

Amber Mortimer  
**Ombudsman**