

## **The complaint**

Mr M complains that Creation Consumer Finance Ltd lent irresponsibly when it approved his loan application.

## **What happened**

In March 2018, Mr M applied for a £5,000 loan over a four year term with Creation. In his application, Mr M said he had an income of £1,650 a month and paid rent of £300. Creation says it completed a credit search and found monthly commitments for unsecured loans of £541 and around £4,000 of revolving credit.

Creation says the loan was approved in line with its lending criteria. Mr M missed two payments in 2019 and went on to clear the outstanding balance.

Last year, Mr M complained that Creation had lent irresponsibly. Creation didn't uphold Mr M's complaint and he referred it to the Financial Ombudsman Service. An investigator upheld Mr M's complaint and asked Creation to refund all interest and charges applied to the loan from inception. They also asked Creation to remove any adverse information recorded on Mr M's credit file.

The investigator's findings were issued in September 2021 and Creation sent in some further information. But the investigator's view didn't change and despite multiple attempts to obtain a response to the complaint assessment, we didn't hear back from Creation. As Creation didn't respond to the investigator, Mr M's complaint has been passed to me to make a 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.

Before agreeing to lend, the rules say Creation had to complete reasonable and proportionate checks to ensure Mr M could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;
- The total sum repayable and the size of regular repayments;
- The duration of the agreement;
- The costs of the credit; and
- The consumer's individual circumstances.

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate.

I've looked at the information Creation had available when it considered Mr M's loan application. I note Mr M's unsecured loan repayments and outstanding balance were reasonably high when compared against his income. And whilst Creation took Mr M's rent and borrowing into account, I haven't seen anything that shows it factored other regular outgoings into its assessment. I think it's reasonable to say borrowers are likely to have regular outgoings that aren't covered by rent and unsecured credit. Taken with the four year term of the loan, I think Creation should've considered completing better checks to ensure the loan repayments were sustainable.

As noted above, there's no set list of checks Creation had to complete. But an option for verifying a consumer's circumstances would've been to get a copy of Mr M's bank statements for the period running up to the application. Mr M has sent us copies of the relevant bank statements. They show Mr M's outgoings were higher than Creation found when completing a credit search. The statements show that Mr M's income was lower than the figure given in the application.

Had Creation completed better checks I think it would've found further borrowing was unsustainable for Mr M and declined to proceed. As a result, I'm upholding Mr M's complaint. It wouldn't be fair for Creation to report adverse information about a debt that was lent irresponsibly. So I'm also going to tell Creation to remove any adverse information reported on Mr M's credit file in relation to this loan.

### **My final decision**

My decision is that I uphold Mr M's complaint and direct Creation Consumer Finance Ltd to settle as follows:

- Refund all interest and charges applied to Mr M's loan from inception to redemption
- Pay interest on the above at 8% simple from the date of payment to the date of settlement\*
- Remove any adverse information recorded about this loan from Mr M's credit file

\*HM Revenue & Customs requires you to deduct tax from this interest. Creation should give Mr M a certificate showing how much tax its deducted, if they ask for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 21 April 2022.

Marco Manente  
**Ombudsman**