

## **The complaint**

Miss C complains that Creation Financial Services Limited have irresponsibly lent to her.

## **What happened**

Miss C applied for a Creation credit card in September 2018. Creation accepted her application and approved a credit limit of £5,000. Miss C says that the approved credit limit was irresponsible as she was a student at the time, working part time. She said she had other credit at the time. Miss C said Creation should have looked at her credit file and they would have seen the repayments would be unaffordable for her.

Miss C complained to Creation, but they did not uphold her complaint. Creation said that they had completed all relevant checks and her application was accepted. Miss C brought her complaint to our service.

Our investigator explained that due to the approved credit limit of £5,000, then Creation should have made further checks to ensure that the credit would be affordable for Miss C. She said this as Miss C's income was recorded as £800 a month and Miss C had several other forms of credit at the time of her application.

Our investigator asked Miss C for her credit file and her bank statements to see what these would have shown Creation as part of a proportionate check. Our investigator summarised that Miss C's bank statements showed a reliance on borrowing to meet her monthly commitments at the time of the application and that Creation should not have approved Miss C's application.

Our investigator said that Creation should refund any charges and interest Miss C had paid to reduce the debt and if this resulted in the account being in credit then they should refund the overpayment to Miss C with 8% interest added. She also said that since Creation should not have approved the application, then Creation should remove any adverse information from Miss C's credit file in relation to the account.

Creation asked to see Miss C's bank statements, to evidence that Miss C was paying far more to other lenders than they had calculated, to see if they agreed with our investigator's view. As Creation hadn't responded to our investigator by the deadline she had given them, then the complaint was passed to me to make a decision on the complaint.

As my findings differed in some respects from our investigator's, I issued a provisional decision to give both parties the opportunity to consider things further. This is set out below:

*"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 approve the credit limit for Miss C, Creation needed to make proportionate checks to determine whether the credit was affordable and sustainable for her. There's no prescribed list of checks a lender should make. But the kind of things I expect lenders to consider include - but are not limited to: the type and amount of credit, the*

*borrower's income and credit history, the amount and frequency of repayments, as well as the consumer's personal circumstances.*

*I've looked at what checks Creation said they did prior to accepting Miss C's application. They said at the time of applying for the credit card, they considered the information that Miss C had given them, such as her working part time, earning a salary of £800 a month, living with her parents and they looked at her credit file. Creation said that Miss C's credit file showed she had no adverse credit data and she was not in arrears on any of her accounts.*

*So I've considered if the checks that Creation carried out were proportionate to the level of credit that Miss C was given. And despite Miss C not showing any adverse credit information, I'm persuaded there are other factors which should have persuaded Creation to make further checks and I'll explain why below.*

*As Miss C was a student at the time of the application and she had declared earnings of £800 a month, then the £5,000 credit limit that Creation approved was more than 50% of her annual employment income. And Miss C had other credit cards at the time, of which the majority of these were near the credit limit. So, I would have expected Creation, as part of a proportionate check, to ask for further information from Miss C to ensure that a £5,000 credit limit would be affordable and sustainable. They could have done this by contacting Miss C to discuss her personal circumstances at the time, or they could have asked for information about her income and outgoings, such as requesting her recent bank statements, to see whether the credit limit would be sustainable and affordable for Miss C.*

*I'm persuaded that if Creation had asked to see Miss C's bank statements, then they wouldn't have approved Miss C's application. I say this as Miss C's bank statements show she was needing to borrow to meet her financial commitments. Her bank statements show that her income from her salary was quite volatile. Looking at the last six bank statements before her application was accepted by Creation, her salary ranged from £497.45 a month, to £1,247.92 a month.*

*Miss C told our investigator that she sometimes she earned more than her normal salary if she did overtime. But there are two occasions in the previous six months where Miss C earned significantly less than what she declared on her application to Creation for her monthly income. While it might be fair to say her salary broadly averaged out in the range which she declared on the application, the reality is that she often earned a lot less, which would impact her ability to meet her outgoings on a monthly basis.*

*I'm persuaded this is demonstrated on her bank statements as she relied on third party credit (even ignoring additional credit cards and catalogue payments she had) on nine separate occasions in the six month period before Creation accepted her application. In addition, it also appears that Miss C's family and friends need to lend her money on occasions.*

*So I'm satisfied from the information I've seen here that Miss C struggled to pay her monthly commitments prior to Creation accepting her for the credit card without her borrowing to do so. In my view, this was unaffordable for Miss C. If Creation had asked for details of her outgoings/bank statements as part of a proportionate check when considering her application, then I'm persuaded they would have seen the payments on the credit card would not have been sustainable or affordable and I'm satisfied they wouldn't have accepted her application for the Creation credit card, based on someone who was clearly struggling to meet her commitments and borrowing from multiple sources just to do so.*

*So, I intend to ask Creation to remove all interest, fees and charges applied to the account and recalculate what (if anything) Miss C owes from the initial amount she borrowed (taking*

*account of any payments she's made).*

*As I'm persuaded that had Creation completed further checks which were proportionate to her individual circumstances, they wouldn't have lent to her. They should also remove any adverse information from Miss C's credit file relating to the Creation credit card."*

I invited both parties to let me have any further submissions before I reached a final decision. Miss C responded and said she had no further comments to add. Creation responded to my provisional decision and addressed points which our investigator had previously made to them, but they did not address any of my findings of my provisional decision directly.

### **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.

As Creation did not respond to my findings in my provisional decision, I've summarised below again, some of the reasoning in my provisional decision why I'm persuaded the lending was unaffordable for Miss C:

*"As Miss C was a student at the time of the application and she had declared earnings of £800 a month, then the £5,000 credit limit that Creation approved was more than 50% of her annual employment income. And Miss C had other credit cards at the time, of which the majority of these were near the credit limit. So, I would have expected Creation, as part of a proportionate check, to ask for further information from Miss C to ensure that a £5,000 credit limit would be affordable and sustainable. They could have done this by contacting Miss C to discuss her personal circumstances at the time, or they could have asked for information about her income and outgoings, such as requesting her recent bank statements, to see whether the credit limit would be sustainable and affordable for Miss C."*

*"She relied on third party credit (even ignoring additional credit cards and catalogue payments she had) on nine separate occasions in the six month period before Creation accepted her application. In addition, it also appears that Miss C's family and friends need to lend her money on occasions."*

*"Miss C struggled to pay her monthly commitments prior to Creation accepting her for the credit card without her borrowing to do so. In my view, this was unaffordable for Miss C. If Creation had asked for details of her outgoings/bank statements as part of a proportionate check when considering her application, then I'm persuaded they would have seen the payments on the credit card would not have been sustainable or affordable and I'm satisfied they wouldn't have accepted her application for the Creation credit card, based on someone who was clearly struggling to meet her commitments and borrowing from multiple sources just to do so."*

### **Putting things right**

In my provisional decision I said I intend to ask Creation Financial Services Limited to:

Refund all interest, fees and charges applied to the account from the date the account was opened to the date of settlement;

If this results in a credit balance, refund that credit balance to Miss C, and add 8% simple interest per year from the date the credit card would have first gone into a credit balance to the date of settlement;

Remove any adverse entries on Miss C's credit file relating to her Creation credit card.

I'm still satisfied this is a fair outcome for the reasons given previously.

**My final decision**

I uphold the complaint. Creation Financial Services Limited should settle the complaint in line with the instructions in the *"putting things right"* section above.

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

Gregory Sloanes  
**Ombudsman**