

## **The complaint**

Mrs V complains that Creation Financial Services Limited have irresponsibly lent to her.

## **What happened**

Mrs V applied for a Creation credit card in July 2016 and was accepted with a £7,500 credit limit. Mrs V says she asked Creation several times to lower the credit limit to £500 as she was behind on her priority bills, but she says Creation told her to keep the original credit limit in case she needed it for a rainy day.

Mrs V says she got into financial difficulty due to the credit limit and interest payable being high. She made a complaint to Creation and she said at the time of applying for their credit card, her credit score was poor, her income was low and she had been declined for a payday loan elsewhere.

Creation did not uphold Mrs V's complaint. They said the payday loan was not with them so the criteria may have been different, her income was greater than required to be eligible for the product and Mrs V had passed Creation's risk checks and all other checks had been successful.

Mrs V brought her complaint to our service. She wants the outstanding balance to be written off. She told our investigator that she was in arrears on her mortgage at the time the credit limit was approved. Mrs V also said that a third party acting on behalf of Creation has offered to write off 25% of the outstanding balance, which she didn't think Creation would do if she didn't have a case.

Our investigator upheld her complaint. He said that Mrs V's credit file proved that she was in arrears on her mortgage at the time her Creation application was approved, by at least two months. He said that Creation should have completed further checks, to ensure any credit they approved for Mrs V would be sustainable. But as she was in arrears on her biggest financial commitment – her mortgage, then any further lending may be irresponsible.

Our investigator said that Creation should refund any interest Mrs V has been charged, suspend any further interest on the balance of the card, refund any late payment or over-limit fees that have been charged and pay them toward the outstanding balance. He said if these adjustments put Mrs V's account in credit, then any outstanding amount should be refunded, along with 8% interest and Creation should also ensure any adverse data recorded with the credit reference agencies since the account opening should be removed. As Creation did not respond to our investigator by the deadline set, Mrs V's complaint was passed to an Ombudsman for 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."*

*I've considered what Mrs V has said about her asking Creation to lower her credit limit to £500. I asked Mrs V when she made this request. Mrs V said it was around six years ago. But Creation have no records of her requesting this. Mrs V used the majority of her credit limit within just a few weeks of being approved for the credit card.*

*So it may be that she requested her credit limit to be lowered after she had already spent more than £500 on the credit card and that may be why Creation couldn't lower her credit limit to £500. But as I can't say either way what happened here, I can't say that Creation did anything wrong here. So I've considered whether Creation should have lent to Mrs V at all, regardless of if a £500 initial credit limit would have been more appropriate for Mrs V's circumstances at the time she applied for the card.*

*Before agreeing to approve the credit limit for Mrs V, 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 Mrs V's application. They said at the time of applying for the credit card, they considered the information that Mrs V had given them, such as her working full time, earning a salary of £1,450 a month, she was a joint home owner with a mortgage and they looked at her credit file. Creation said that Mrs V'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 Mrs V was given. And despite Creation saying Mrs V wasn't 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.*

*Creation's information from the bureaux showed that the worst status of Mrs V's accounts was an "I". In the box next to this it says "declared income is less than or equal to zero". Creation told our investigator that an I status usually means an account "at the state of agreed payments - normally reduced payments". Creation said that they couldn't see the amount of the arrears, but I'm persuaded that as part of a proportionate check, then Creation should have looked further into Mrs V's financial situation, especially as the credit limit they were approving for Mrs V was nearly 50% of her declared income and it would appear that she was paying less than her normal mortgage payments – which could indicate a financial difficulty.*

*They could have done this by contacting Mrs V 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, or by requesting her full credit file to investigate the lower mortgage payments and to see whether the credit limit would be sustainable and affordable for Mrs V.*

*I'm persuaded that if Creation had taken this proportionate step, then they wouldn't have approved Mrs V's application. I say this as it would have come to light that Mrs V's was behind on her mortgage payments. As this is usually a person's biggest financial commitment, then I'm persuaded that Creation should feel that giving her any further credit may cause her further financial difficulties. Mrs V has also provided our service with some of her bank statements before the credit card was approved.*

*So if Creation would have asked Mrs V for her full outgoings, as part of a proportionate*

*check when they would have realised she was in arrears on her mortgage, then they would have seen that for the previous four months prior to her application that the majority of time, Mrs V was in her overdraft and often paying a monthly fee for this. There is also one occasion where she paid a fee for an unarranged overdraft, which may indicate Mrs V wasn't managing her money well, by going over her agreed overdraft limit and constantly needing to rely on borrowing, through her overdraft.*

*So I'm satisfied from the information I've seen here that if Mrs V struggled to pay for her mortgage – and her credit file shows she was at least six months in arrears at the time of her application, then it would not be sustainable for her to manage a £7,500 credit limit. In my view, this was unaffordable for Mrs V. If Creation had asked for details of her outgoings and her full credit file as part of a proportionate check when considering her application, then I'm persuaded they would have seen the arrears on the mortgage and that Mrs V was struggling with her finances and I'm satisfied they wouldn't have accepted her application for the Creation credit card.*

*I've considered what Mrs V has said about wanting Creation to write off the full outstanding balance. She thinks that by the third party offering to write off 25% of the debt means they are admitting to irresponsibly lending to her. But I'm not persuaded it is proportionate for Creation to write off any of the outstanding balance. This is because Mrs V has had the benefit of this money and has spent it. I've also noted that the 25% offer was conditional to her paying off the other 75% of the outstanding balance, so as Mrs V isn't in a position to do so, this wouldn't apply here. So, what I need to do here, is consider what is a reasonable outcome, when I'm satisfied that Creation shouldn't have lent to Mrs V initially, for the reasons I've previously given.*

*So, I intend to ask Creation to remove all interest, fees and charges applied to the account and recalculate what (if anything) Mrs V 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 Mrs V'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. Mrs V responded and she said she accepted my findings but asked me to consider additional compensation for the distress Creation caused her. She also mentioned substantial delays in Creation's complaint handling, and she had spent 60-80 hours on the complaint. Creation did not respond to my provisional 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.

I've considered what Mrs V has said about additional compensation for the distress Creation has caused her. But I'm not persuaded that any additional compensation should be provided. I say this as my provisional decision would put her back in the same position she would have been in had Creation not accepted her application. While Mrs V shouldn't have been lent this money – it remains that she did spend it. So it's difficult for me to say that this has caused her distress or inconvenience in a way that'd be fair for me to tell Creation to pay compensation for.

I've considered what Mrs V has said about how her complaint was handled by Creation and the delays she has suffered. But as complaint handling is not a regulated activity, it falls

outside of my powers to rule on how a business handles their complaints procedure. There would always be time needed to be spent in raising a complaint so I wouldn't look to ask Creation to pay Mrs V for time she's spent with them discussing her complaint.

In summary, Mrs V's response hasn't changed my view and my final decision and reasoning remains the same as in my provisional decision. I know Mrs V will be disappointed that I haven't awarded additional compensation, but I hope she understand my reasons.

### **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 Mrs V, 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 Mrs V'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 Mrs V to accept or reject my decision before 20 April 2022.

Gregory Sloanes  
**Ombudsman**