

## **The complaint**

Miss O complains that Creation Financial Services Limited irresponsibly provided her with a credit card that she couldn't afford the repayments on.

## **What happened**

Miss O applied for and received a credit card from Creation in November 2017. There was an initial credit limit of £3,000, which hasn't been increased. She says she had a lot of debts at the time so the card should never have been issued. She had problems in even making the minimum repayments. She complained to Creation about irresponsible lending. She further complained that she wasn't allowed access to her online account so she couldn't manage the borrowing. She has sent to us copies of her bank statements around the time of her application.

Creation said it carried out all relevant checks which included a credit check. It said she had very low credit payments and would have been easily able to afford the card repayments.

On referral to the Financial Ombudsman our investigator said that Creation hadn't carried out reasonable and proportionate checks but had it done so these were likely to have demonstrated that Miss O would not have been able to make her repayments sustainably. So he upheld Miss O's complaint.

Creation disagreed and sent in a summary of the checks it had carried out. Our investigator still said that it should have done further checks, given the level of borrowing.

The matter has been passed to me for further consideration.

## **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.

Considering the relevant rules, guidance, and good industry practice, I think the questions I need to consider in deciding what's fair and reasonable in the circumstances of this complaint are:

- Did Creation complete reasonable and proportionate checks to satisfy itself that Miss O would be able to repay the credit advanced in a sustainable way?
- If not, would those checks have shown that Miss O would have been able to do so?

Providing an initial credit card limit of £3,000 means that Miss O had access to a high amount of credit immediately. Given that I think that Creation should have carried out a thorough assessment of Miss O's finances, before setting up the account.

Unfortunately Creation hasn't been able to send us detailed information about the credit search it carried out – just an overall summary. This does mean that I'm not able to verify

what information on individual accounts was available to Creation, at the time of the application. From its summary, this appears to show that Miss O had declared an income of £1,500 a month and its credit checks showed she was already paying £60 a month in credit payments. On the face of it she had a monthly disposable income of £508.

However I would have expected Creation to verify her income which it doesn't appear to have done. Her salary was about £1,000 a month plus work plus child tax credits of around £400. It's clear from her bank statements around the time of the application that she was paying regular loan payments of at least £200 and several payments to an online payment service. Her rent was around £495, rather than the £425 it assessed. It's also clear that she was running an overdraft which wasn't decreasing. I think it's likely that the bank overdraft would have shown up on the credit record and that should have led Creation to verify the information about that account. As Miss O clearly wasn't managing her finances well, and as the disposable income figure assessed by Creation was clearly much less, I don't think she would have been able to sustain the payments on £3,000 credit.

So I don't think Creation made a fair lending decision. It should rework the account as I've set out below.

In respect of access to her online account, Creation hasn't explained to us why she can't have this, except to say to her the account has been suspended. I can understand that she might not be able to make payments from the account but I see no reason why she shouldn't be able to access it for viewing purposes, especially if she is to carry on making payments to the account.

### **Putting things right**

As I don't think Creation ought to have opened the account, I don't think it's fair for it to be able to charge any interest or charges under the credit agreement. But I think Miss O should pay back the amounts they have borrowed. Therefore, Creation should:

- Rework the account removing all interest and charges that have been applied.
- If the rework results in a credit balance, this should be refunded to Miss O along with 8% simple interest per year\* calculated from the date of each overpayment to the date of settlement. Creation should also remove all adverse information regarding this account from Miss O's credit file.
- Or, if after the rework there is still an outstanding balance, Creation should arrange an affordable repayment plan with Miss O for the remaining amount. Once Miss O has cleared the balance, any adverse information in relation to the account should be removed from their credit file.

\*HM Revenue & Customs requires Creation to deduct tax from any award of interest. It must give Miss O a certificate showing how much tax has been taken off if she asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

Creation should further allow Miss O access to her online account.

### **My final decision**

I uphold the complaint and require Creation Financial Services Limited to provide the remedy set out under "Putting things right" above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss O to accept or reject my decision before 3 November 2022.

Ray Lawley  
**Ombudsman**