

The complaint

Miss M complains that Creation Consumer Finance Ltd (“Creation”), trading as Creation, irresponsibly granted her a fixed sum loan agreement she couldn’t afford to repay.

What happened

In August 2018, entered into a fixed sum loan agreement with Creation in order to acquire some furniture goods. Under the terms of the agreement. After making the first repayment, Miss M was required to make 35 monthly repayments of £29.11. The total repayable under the agreement was £1,047.96.

Miss M says that Creation didn’t complete adequate affordability checks. She says if it had, it would have seen the agreement wasn’t affordable. Creation didn’t agree. It said that it carried out an assessment to check Miss M’s financial circumstances and she passed its internal lending criteria.

Our adjudicator didn’t recommend the complaint be upheld. She thought Creation didn’t act unfairly or unreasonably by approving the finance agreement.

Miss M didn’t agree and so her complaint has been passed to me for a final 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.

Creation will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don’t consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

Creation didn’t ask Miss M for her details of her income prior to agreeing the lending – instead it relied on its own calculations. Without an understanding of what Miss M was earning, I don’t think it was possible for Creation to make a fair assessment of her ability to afford the repayments without undue difficulty. It therefore didn’t complete proportionate checks.

Creation also didn’t ask Miss M about her expenditure. Although it did complete a credit check, this won’t have indicated what Miss M’s regular living expenses were. Without knowing what Ms M’s regular committed expenditure was, Creation wouldn’t have got a reasonable understanding of whether the agreement was affordable or not. It therefore didn’t complete proportionate checks.

I’ve considered what Creation would likely have found out if it had completed reasonable and proportionate affordability checks. We’ve asked Miss M to provide us with evidence of her financial circumstances at the time the lending was taken out. Whilst she gave us some information about her estimated regular committed expenditure at the time, this wasn’t

enough to fairly determine what proportionate checks would likely have shown Creation. I see our adjudicator gave Miss M a further opportunity to provide us with the further evidence and information we need about her financial circumstances but, for whatever reason, she hasn't done so.

As Miss M hasn't been able to demonstrate that the agreement was unaffordable, I can't reasonably conclude that Creation ought to have known she would struggle to make the repayments. I'm therefore not persuaded that Creation acted unfairly in approving the finance.

My final decision

For the reasons given above, I don't uphold this complaint.

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

Michael Goldberg

Ombudsman