

The complaint

Mr H complains about adverse information recorded on his credit file by Creation Consumer Finance Ltd.

What happened

Mr H has a loan with Creation but fell into arrears due to the pandemic. Mr H successfully applied for a payment holiday under the Financial Conduct Authority's (FCA's) Payment Deferral Guidance so didn't have to make payments for three months. In August 2020 Mr H asked Creation to consider another payment holiday but didn't receive a response. Mr H's August 2020 payment was debited from his account despite asking Creation for more time. Creation later refunded the payment and put a payment holiday in place to cover August, September and October 2020.

Mr H contacted Creation in November 2020 and explained he was still furloughed. Mr H asked Creation for a third payment holiday but says he didn't receive a response. Creation says its advisors told Mr H he could only take two payment holidays without impact to his credit file so would need to speak with its collections team. Creation says it also made it clear that further missed payments could lead to arrears on Mr H's credit file. Creation says the information was repeated in a follow up call later in November 2020.

In June 2021 Mr H complained and said it hadn't been made clear that the arrears on his account would be recorded on his credit file from November 2020. Creation didn't uphold Mr H's complaint and said call handlers had made him aware when he called.

An investigator at this service looked at Mr H's complaint and asked Creation to pay him £100 but didn't ask it to amend his credit file. Mr H asked to appeal, so his 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.

The FCA's Payment Deferral Guidance only allowed lenders to apply payment holidays for a maximum of six months. Businesses were free to provide further support, outside of the framework given in the Payment Deferral Guidance, based on commercial judgement. In this case, Creation approved two payment holidays of three months each. Under the Payment Deferral Guidance those payment holidays weren't recorded as arrears on the borrower's credit file. And I'm satisfied Creation followed that guidance when dealing with Mr H.

The issue here is that in November 2020 Mr H called back and asked for a third payment holiday on the same terms. Unfortunately, there were no option at this point for Mr H to take a third payment holiday without impact to his credit file. Looking at the contact notes and what Mr H has told us, his income was reduced at this time due to the pandemic and he wasn't in a position to begin making repayments again. I understand that was due to issues

outside of Mr H's control. But there was no further scope for Creation to cease reporting missed payments on Mr H's credit file.

I think it's also fair to note that Creation says its call handlers confirmed that from November 2020 missed payments would impact Mr H's credit file. Creation hasn't been able to send us the its calls with Mr H from November 2020 but has sent us copies of its contact notes. The contact notes show Mr H contacted Creation on 6 November 2020 and asked about his options. On 10 November 2020 Creation's notes show it spoke with Mr H and advised it wasn't able to offer a third payment holiday. But a collections hold was put in place. Creation says that during this call Mr H was notified there could be an impact on his credit file. Creation says there was further contact with Mr H in November 2020 but no evidence it told him his credit file would remain free of arrears.

I'm sorry to disappoint Mr H but I haven't found that Creation acted unfairly by recording missed payments on his credit file. Creation continued to place collections activity on hold and didn't move to default Mr H's loan account. In my view, that was a reasonable approach given what Mr H had told it about his circumstances at the time. But there was no option for further support from November 2020 without arrears being noted on Mr H's credit file. Mr H started making payments in the summer of 2021 and has maintained the contractual monthly payment since that point. But Creation's explained that arrears remain on Mr H's account which is why they continue to be recorded on his credit file.

I understand Mr H will likely find my decision disappointing, but I haven't found evidence that shows Creation acted unfairly. Our investigator thought Creation could've made it clearer that it would record arrears when Mr H called in November 2020 and asked the business to pay him £100 for the distress caused. I think that's a fair way to resolve Mr H's complaint.

Mr H should note arrears remain on his loan and will continue to be recorded on his credit file until repaid. Mr H has the option of contacting Creation to discuss the arrears and whether he can reach an affordable agreement to repay them. And, as our investigator said, Creation should ensure it treats Mr H with appropriate forbearance when discussing his options going forward.

My final decision

My decision is that Creation Consumer Finance Ltd should pay Mr H £100 (if it hasn't done so already) and ensure he receives appropriate forbearance in relation to the arrears on his loan.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 1 November 2022.

Marco Manente
Ombudsman