

The complaint

Mr V complains that Creation Consumer Finance Ltd irresponsibly granted him a fixed sum loan he couldn't afford to repay. He also complains that it didn't offer his assistance when he told it he couldn't meet the repayments.

What happened

In January 2018, Mr V acquired a new furniture financed by a fixed sum loan agreement from Creation. Mr V paid a deposit of £414 and was required to make 36 monthly repayments of £100. The agreement was 0% interest.

Mr V says that Creation didn't complete adequate affordability checks. He says if it had, it would have seen the agreement wasn't affordable. Creation didn't agree. It said that it carried out a thorough assessment which included a credit check and assessing the information Mr V provided as part of his application.

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

Mr V didn't agree and said that the credit check only showed his previous payments and not whether the agreement was affordable going forward. He said he had previous irresponsible lending complaints upheld against other companies. He said he wasn't earning over £50,000 at the time of the application and that had adequate checks been carried out Creation would have found his annual income was £38,000.

The case 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 says that Mr V's application included information that he owned his home, was in full time employment with an annual income above £50,000 and had one dependent. It also carried out a credit check which showed Mr V had credit card debts of £2,854, no outstanding debt in short term lending, £483 monthly commitments in secured lending and £508 unsecured lending. It said based on its checks the lending was affordable.

While I note the information gained through the credit check, I think it reasonable that a credit assessment would also provide information about how Mr V was managing his existing credit commitments, including information about any defaults, missed payments or county court judgements. I haven't seen that this information was gathered, and I've

therefore relied on a copy of the credit file supplied by Mr V to assess what information would likely have been seen had these checks taken place.

Mr V's credit file didn't show any defaults or county court judgements but it did show that he missed a payment on an account a month before his application to Creation and had also entered a debt management plan around a year earlier. I think this shows signs that Mr V had previously experienced financial difficulties and that these could still be ongoing. It therefore would have been proportionate for Creation to have got a more thorough understanding of Mr V's financial circumstances before lending to ensure the loan was affordable.

I think it would have been proportionate for Creation to have found out more about Mr V's income and expenses in order to assess whether the lending was affordable. I can't be certain what Mr V would have told Creation had it asked. But in the absence of anything else, I've placed significant weight on the information contained in Mr V's statements as an indication of what would most likely have been disclosed.

Mr V's application said he had an annual income of over £50,000. Mr V disputes this saying he was earning £38,000 at the time. I have looked at Mr V's pay slips for the months leading up to the application and these show an average monthly income of around £2,450. Additional to this income his bank statements show regular income from another source. This gave Mr V a total monthly income of around £4,265. This would suggest he was earning over £50,000 a year.

Mr V has explained his regular monthly expenses for credit commitments and living costs were around £2,628 before food and transport costs. I have looked at the information in Mr V's bank statements. These show monthly expenses of around £3,700 (including his credit commitments, payments for utilities and other living costs such as food and fuel). Taking these figures into account, it appears to show the agreement was affordable to Mr V. I also note that the repayments were relatively low compared to Mr V's income and the agreement was 0% interest so he was only required to pay back the amount he had the benefit of.

For these reasons, I'm 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 Mr V to accept or reject my decision before 10 October 2022.

Jane Archer
Ombudsman