



## **The complaint**

Mr G complains that Creation Consumer Finance Ltd lent to him when it shouldn't have.

## **What happened**

Creation lent a loan to Mr G in August 2019. The loan was for £5,000 with 36 monthly instalments of £183.60.

When Mr G complained to Creation, it didn't uphold his complaint, it said it carried out an assessment based on the information Mr G provided and lent correctly.

Mr G referred his complaint to this service where it was looked at by one of our adjudicators, our adjudicator didn't think Creation should have lent to Mr G. He thought Mr G's circumstances at the time of the loan meant he couldn't sustainably repay the loan over the term. Creation disagreed, it said it had carried out sufficient checks before lending and Mr G had maintained the loan repayment.

As the complaint hasn't been resolved it has been passed to me to decide.

## **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.

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We've set out our general approach to complaints about high cost lending - including all of the relevant rules, guidance and good industry practice - on our website.

Creation needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mr G could repay the loans in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and the consumer's income and expenditure.

Creation has provided evidence to show that before lending this loan, it asked Mr G about his income, which is recorded as £22,000, as it is a round figure, I've assumed this was Mr G's gross income at the time. There's no evidence to show Creation asked Mr G about his monthly living cost. Creation also searched Mr G's credit file and found he was borrowing from other sources including repaying other loans.

Mr G declared that he had two dependents and so it'd have been reasonable in the circumstances for Creation to understand his monthly living costs. But even without going further to understand Mr G's living costs, the results of Creation's checks were concerning.

If Mr G's gross income was £22,000, his net income will likely have been less. The information on the credit file shows Mr G was repaying loans of around £671 per month and had around £7,620 in revolving credit debt. It's likely his monthly credit repayment would have been around £1,000 including this loan repayment of £180.

Mr G would have been spending a substantial part of his income on repaying credit, I think in those circumstances Creation as a responsible lender should have known Mr G was likely to struggle to repay the loan. The fact that Mr G may have made his monthly loan repayments on time doesn't automatically mean the loan was sustainably lent.

Given the overall circumstances, Creation shouldn't have lent to Mr G and it needs to put things right.

### **Putting things right**

- Remove all interest, fees and charges added to the loan
- Treat all payments Mr G has made as payments towards the capital loan amount of £5000.
- If there are overpayments above the capital, add 8% simple interest on those overpayments from the date they were paid (if they were) to the date of settlement†.
- If there's still an outstanding balance, Creation should agree a suitable repayment plan with Mr G.
- remove any negative information about loans from Mr G's credit file once the loan capital has been repaid.

† HM Revenue & Customs requires Creation to take off tax from this interest. Creation must give Mr G a certificate showing how much tax it's taken off if he asks for one.

### **My final decision**

For the reasons given above, I uphold Mr G's complaint and require Creation Consumer Finance Ltd to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 2 November 2022.

Oyetola Oduola  
**Ombudsman**