

The complaint

Miss A is unhappy that Creation Consumer Finance Ltd trading as Creation ("Creation") sold her outstanding debt to another business without telling. In doing so, they transferred a higher debt than the settlement figure she'd previously been given.

What happened

In July 2019, Miss A applied for and was granted a loan with Creation. The loan was repayable in equal fixed monthly instalments over a term of five years.

During the first half of 2020, Miss A's income was adversely impacted by the effects of the global pandemic. Creation agreed to deferral of her monthly repayments for a total of six months. This was followed by a further period of six months where Miss A didn't have to make any payments and no additional interest and charges were applied to her debt.

Following a review of Miss A's financial situation in June 2021, a temporary payment plan was agreed with Miss A, requiring her to make monthly repayments of £250.

In August 2021, Miss A contacted Creation to obtain a settlement figure for her loan. Although she was provided with this, the loan wasn't settled. Shortly after, Creation sold Miss A's remaining debt to another business. But when that business contacted Miss A, the amount they said she owed was about £2,000 more than the settlement figure she'd been given.

Miss A didn't think the amount she was told she owed was right. She also didn't think Creation had acted fairly when they sold her debt. Particularly as they hadn't told her about this. So, she complained to Creation. Miss A says Creation didn't respond to her complaint until December 2021 when they apologised for the delay.

Miss A says the other business was suggesting she needed to make payments at a level significantly more than she'd agreed with Creation. That business agreed to put her repayments on hold while the discrepancy was resolved.

Miss A called Creation again in January 2022 to see what was happening. She was told her complaint was no longer being looked into and she'd need to email them again for her case to be reopened, which she did.

Unhappy and concerned with Creation's lack of response, Miss A referred her complaint to this service. In February 2022, Creation wrote to Miss A in response to her complaint. They didn't think they'd done anything wrong as the terms and conditions of her loan allowed them to sell it on in these circumstances. Creation also told Miss A the settlement figure included a rebate of interest and charges on the basis the loan was repaid early. But as this didn't happen, the full outstanding debt was sold.

Miss A wasn't happy with Creation's response. So, our investigator looked at all the circumstances and evidence available. Having done so, our investigator didn't think Creation had done anything wrong. Miss A didn't agree with our investigator's findings. She thought it unfair they'd sold her debt without her knowledge. She didn't believe she owed the interest difference from the settlement figure she'd been given. She was also unhappy with Creation's delay in responding to her complaints.

As an agreement couldn't be reached, Miss A's complaint has been passed to me to consider further.

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.

Part of Miss A's referral to this service relates to the way Creation handled her complaint. In particular delays receiving their response. I do appreciate Miss A's frustrations. However, I must set an expectation about what I can and can't consider here.

The rules and guidance about what this service can consider are set out in the FCA's Handbook – in particular the Dispute Resolution Rules ("DISP"). These say that this service is only able to consider complaints about a financial service – in this case the sale of Miss A's loan and her concerns about how much she owes. The DISP rules don't allow this service to consider complaints about the way in which Creation handled Miss A's concerns as that isn't in itself a financial service – albeit it stems from one. So, I'm only able to consider the impact on Miss A regarding the sale of her debt and the amount Creation say she owes.

The Financial Conduct Authority (FCA) issued guidance to lenders in April 2020 which explained what they expected from businesses during the exceptional circumstances arising out of the global pandemic. They asked businesses to consider payment deferrals of up to three months under regulated credit agreements. The FCA said their guidance applied where consumers were already experiencing or reasonably expect to experience temporary payment difficulties as a result of the pandemic.

Further guidance was issued by the FCA in July 2020. This extended these measures, and where consumers were still struggling due to the global pandemic, businesses were advised to freeze or reduce their payments for a further three months.

In September 2020, the FCA announced that the support scheme would change from the end of October 2020. From then, firms could continue to support customers in difficulty. But it was down to their discretion and customers' circumstances. Reporting to credit reference agencies was reintroduced for people that had already had the maximum payment deferrals.

Creation responded to Miss A's circumstances by agreeing payment deferrals for the maximum six months. Just before that ended, Creation wrote to Miss A. They wanted to review her circumstances. Having done so, they agreed that no payments needed to be made for a further period of 6 months. During this time, no additional interest or charges were added to Miss A's debt.

I've carefully considered the support provided by Creation here. I wouldn't expect the initial six months of payment deferrals to have negatively impacted Miss A's loan agreement or credit file. And I can't see they did. I think the solutions agreed by Creation appear to meet all of the FCA's guidance and requirements. However, the subsequent six-month agreement did mean Miss A was now in arrears, despite Creation agreeing to that.

Once that agreement finished, Creation wrote to Miss A on multiple occasions. They wanted to review her circumstances again in order to agree a way forward. Creation's records show Miss A responded to their letters and in June 2021 a payment plan was agreed. But as arrears had already arisen, Creation decided to sell Miss A's debt to another business.

I've carefully considered the loan agreement between Creation and Miss A. Part 10 says *"We may assign or securitise any of our rights under this agreement and/or any amounts owing under this agreement without notice to you"*. In simple terms, this allows Creation to sell Miss A's outstanding debt. This is commonplace and is generally used where there's been a breach of the original agreement. And because Miss A had arrears due to the subsequent six-month suspension of repayments, I believe Creation were able to do that.

Creation have explained that the settlement figure given to Miss A in August 2021 reflected a rebate of interest and charges in the event Miss A settled the loan early. But she didn't do that here. Fixed term loans of this nature normally include the interest for the full term calculated at the outset. Repayments are then calculated by dividing the total amount (including interest) over the term of the loan. So, when Creation sold Miss A's debt, the figure transferred was based upon that total figure less anything Miss A had already repaid. As Miss A didn't repay the debt early, the rebate didn't apply. So, I can't reasonably find that Creation did anything wrong here.

I've also considered what happened to cause the business purchasing Miss A's debt to request repayments at a level higher than those agreed by Creation. Creation had confirmed the correct monthly payment to the purchasing business. So, from the evidence I've seen, I can't reasonably say that this was due to something Creation did wrong.

I appreciate Miss A did wait an extended period before receiving a response to her complaint to Creation. But as I've explained, this is not something I'm able to consider. And as I've also explained above, I haven't found any evidence to suggest Creation did anything wrong or treated Miss A unfairly or unreasonably. So, while I do realise Miss A will be disappointed, I won't be asking them to do anything more.

My final decision

For the reasons set out above, I don't uphold Miss A's complaint

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 29 November 2022.

Dave Morgan
Ombudsman