

The complaint

Miss M feels that Creation Consumer Finance Ltd provided a loan to her that she couldn't reasonably afford.

What happened

In November 2020, Miss M successfully applied to Creation for a £15,000 loan and received the loan funds shortly afterwards. In June 2021, Miss M raised a complaint with Creation, because she felt she hadn't been able to afford the loan Creation provided to her and that this should have been evident to Creation, had they reasonably assessed her financial circumstances at the time she applied for the loan.

Creation looked at Miss M's complaint. They didn't feel that they had acted unfairly or irresponsibly in providing the loan to Miss M, and so didn't uphold her complaint. Miss M wasn't satisfied with Creation's response, so she referred her complaint to this service.

One of our investigators looked at this complaint. They felt that it should have been evident to Creation when Miss M applied for the loan that she wouldn't, in all likelihood, be able to afford it. Our investigator therefore recommended that this complaint should be upheld in Miss M's favour and issued instructions to Creation to put matters right.

Creation accepted the view of this complaint put forwards by our investigator, but there then followed some confusion as to what corrective action Creation should take, including regarding Miss M's credit file. This resulted in the complaint being passed to an ombudsman 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.

I issued a provisional decision on this complaint on 21 February 2023 as follows:

Creation have accepted that they shouldn't in all fairness have provided this loan to Miss M. As such, I won't go into to detail on that point here, other than saying that I've reviewed Miss M's financial situation at the time she applied for the loan and having done so I agree that the loan wasn't reasonably affordable for her at that time.

The question then becomes what corrective action Creation should take to return Miss M, as much as fairly possible, to the financial situation she should have been in, had the loan never been given to her.

To begin, it must be acknowledged that Miss M received, and had the benefit of, the £15,000 loan amount. As such, I feel it's fair that Miss M should repay that £15,000 loan amount. But I don't feel that Miss M should be asked to repay anything more than the £15,000 she received from Creation. As such, my provisional instructions here will include that Creation must reimburse to Miss M's loan account all interest,

charges, and fees incurred on the account throughout the life of the loan – so that they go towards reducing the £15,000 capital balance of the loan.

It seems likely, given the size of the loan and the number of payments Miss M has made towards it, that following these reimbursements, a portion of the £15,000 capital balance will remain outstanding for Miss M to repay. Creation must therefore contact Miss M and conduct a detailed income and expenditure assessment with her, so that they can agree a suitable, interest free repayment plan to allow Miss M to repay that remaining balance. It must also be the case that no further interest, fees, or charges are applied to this loan.

My provisional instructions here also include that Creation must remove all adverse credit file reporting relating to this loan from Miss M's credit file – but must do so only when Miss M has fully repaid the remainder of the balance she will, most likely, remain liable for. And Creation should not make any amendments to Miss M's credit file until Miss M has fully repaid the remainder of the capital balance that she borrowed.

Finally, I'm satisfied that Miss M has incurred some distress and inconvenience here resulting from her being provided this loan. As such, my final instruction is that Creation must pay £250 to Miss M as compensation for the upset and trouble she'd incurred. Creation must pay this amount directly to Miss M and must not apply this £250 to reduce the balance of Miss M's loan account, unless Miss M gives Creation her permission for them to do so.

Creation responded to my provisional decision and confirmed they were happy to accept it. Creation also indicated that it may be the case that the reimbursements that will be made to Miss M's account may clear the account arrears as they presently stand and leave the account in a position of credit in Miss M's favour, which would then allow the credit file to be amended in line with what I explained above.

Miss M didn't respond to my provisional decision. However, given that I've received no objections to my provisional decision, I see no reason not to issue a final decision upholding this complaint in Miss M's favour on the basis explained above. And I confirm that I do uphold this complaint on that basis accordingly.

Putting things right

Creation must reimburse to Miss M's loan account all interest, charges, and fees incurred on the account throughout the life of the loan – so that they go towards reducing the outstanding capital balance of the loan.

If, following these reimbursement, an outstanding balance remains for Miss M to pay, Creation must contact Miss M and conduct a detailed income and expenditure assessment with her, so that they can agree a suitable, interest free repayment plan to allow Miss M to repay that remaining balance. It must also be the case that no further interest, fees, or charges are applied to this loan.

Creation must remove all adverse credit file reporting relating to this loan from Miss M's credit file – but must do so only when no outstanding loan balance remains to be paid.

Creation must also make a further payment of £250 to Miss M as compensation for the trouble and upset she's incurred. Creation must pay this amount directly to Miss M and must not apply this £250 to reduce the balance of Miss M's loan account, unless Miss M gives Creation her permission for them to do so.

My final decision

My final decision is that I uphold this complaint against Creation Consumer Finance Ltd on the basis explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 19 April 2023.

Paul Cooper
Ombudsman