

The complaint

Mr C complains that Creation Financial Services Limited lent to him irresponsibly.

What happened

Mr C applied for a Creation credit card in 2011. The account was closed in 2016.

Mr C complained to Creation. He said it had lent irresponsibly to him.

Our investigator said that although the account opening and credit limit increases happened more than 6 years ago, this service could look into the complaint because Mr C had brought his complaint within 3 years of becoming aware that Creation might have done something wrong by providing the card and increasing the credit limit.

Our investigator went on to uphold the complaint. She wasn't able to determine whether Creation had carried out reasonable and proportionate checks before opening the account but said that the information available about Mr C's levels of borrowing at the time showed that he wasn't likely to be able to sustainably repay the borrowing.

Creation didn't agree. It said the information showed that Mr C had sufficient disposable income to afford the lending.

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.

Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website. I've had this approach in mind when considering what's fair and reasonable here.

Creation hasn't been able to provide this service with any information about the affordability checks carried out at the time of the application or at the time of the credit limit increase. This is because it doesn't retain information for more than 6 years.

Because of this, it isn't possible for me to determine whether creation carried out reasonable and proportionate checks before it approved the credit. Creation has suggested that it would've carried out an affordability calculation at the point of application and again at the point of increasing the credit limit, and said that any credit granted would've been assessed as affordable for Mr C.

I've thought about what Creation would've been likely to discover had it completed reasonable and proportionate checks. Mr C has provided statements for the bank accounts he held at the time to show his income and expenditure. He's also provided some credit card statements to show the extent of his other credit commitments.

I've reviewed the bank statements. I can see that Mr C was overdrawn on the accounts as at June 2011 and that the total overdraft debt was around £6436.

I've also reviewed Mr C's credit card statements. These show that he was making minimum payments on all of his accounts. The total credit card debt was around £15,355.00.

Based on what I've seen, Mr C had almost £22,000 of existing credit commitments at the time of the application.

Mr C's bank statements show that he was earning around £2825 per month. Looking at his essential expenditure – around £1700 – and his consumer credit repayments – around £900 – this left very little to go towards Mr C's living expenses. I don't think it was likely that Mr C would've been able to sustainably repay the borrowing.

Therefore, I'm of the view that the credit was unaffordable for Mr C.

Putting things right

Because I don't think that Creation should have provided the credit card, I don't think it's fair that Mr C should pay interest and charges on the credit he's had.

Creation should:

- (1) Refund all the interest and charges Mr C has paid on the card.
- (2) If the borrowing is still in place, reduce the outstanding capital balance by the amount at(1) above.
- (3) If after (2) above there is an outstanding capital balance, Creation should make sure that this balance is not subject to any further interest or charges. However, if after (2) above there is a credit balance on the account, this amount should be refunded to Mr C together with 8% simple interest *
- (4) Creation should remove any adverse information recorded on Mr C's credit file in relation to the account

*HMRC require Creation to deduct tax from this interest. If tax is deducted Creation must give Mr C a certificate showing how much tax has been deducted if he asks for one.

My final decision

My final decision is that I uphold the complaint. Creation Financial Service Limited must take the steps I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 13 June 2023.

Emma Davy
Ombudsman