

## **The complaint**

Mr A complains that Creation Consumer Finance Ltd declined his application for credit, and unnecessarily recorded a search on his credit file.

## **What happened**

In December 2022 Mr A applied for a credit facility with Creation with a £5,000 credit limit. This was to be a regulated running account credit agreement, and was called a “Your Plan” account. There is a dispute about whether his application was successful or not, but it is not in dispute that he was sent an email telling him that his application had been approved and his Your Plan account had been set up. Creation says this email was sent in error.

Mr A then tried to buy a laptop computer for £1,700 under a buy now pay later (“BNPL”) arrangement under his Your Plan account. But this purchase was refused, with no explanation, even though he had apparently just been given a £5,000 credit limit. He complained about that, and also about the fact that he now had a credit search recorded on his credit file unnecessarily, which could be to his detriment when applying for credit in the future.

In its final response letter, Creation told Mr A that his purchase had not been approved because his application had not met Creation’s internal lending criteria. Creation would not elaborate further, because its lending criteria were commercially sensitive and therefore confidential. This letter did not say that his application for a Your Plan account had been declined.

Being dissatisfied with that response, Mr A brought this complaint to our service. He asked for Creation’s credit search to be removed from his credit file.

Our investigator asked Creation for more detail about why Mr A’s purchase of a laptop had been declined. Creation said that Mr A had not passed its affordability and general lending criteria, but was not willing to divulge more. The investigator decided that he had not seen enough evidence to conclude that Mr A’s application had been declined fairly, so he upheld this complaint. He recommended that Creation remove the relevant search from Mr A’s credit file and pay him £100 for his trouble.

Mr A accepted that opinion. Creation did not. Because agreement could not be reached, this case was referred for an ombudsman’s decision.

I wrote a provisional decision which read as follows.

## **What I’ve provisionally 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.

Having done so, I am minded to uphold this complaint, but for entirely different reasons to my colleague’s. I agree with Creation that its internal lending criteria are its own business,

and that it is not my role to review them. They are commercially sensitive, and so I will not insist on them being disclosed; and even if I did know what they were, it is entirely for Creation to decide what they should be (subject of course to its legal obligations under the Equality Act 2010). For that reason I have to disagree with my colleague's opinion: I cannot conclude that Mr A's application for credit was unfairly declined just because I do not know what Creation's lending criteria were. But that does not get Creation off the hook.

I asked Creation why a further credit check had been carried out for the laptop purchase when Mr A already had a credit facility with Creation. Creation told me that in fact Mr A had not been approved for a Your Plan account, due to not meeting Creation's lending criteria, and consequently his attempted purchase of the laptop under a BNPL arrangement had also been declined because Mr A did not have a line of credit with Creation.

This was the first time Creation had said that Mr A had not been approved for a Your Plan account.

Creation provided a screenshot to support this claim, which includes the text "Applicant [sic] status: REJECTED". Creation also said that only one "hard search" (meaning a credit check which is recorded on someone's credit file) had been carried out, and this had been when Mr A had applied for a Your Plan account. The subsequent credit search which had been carried out when he had tried to buy a laptop as a BNPL purchase had been a "soft search," meaning that it will not appear on his credit file, and will not affect his credit rating.

Mr A showed me an email he had received from Creation on the day he had applied for the Your Plan account. Its subject heading is "Congratulations, your credit application has been approved." In the message it says "We're pleased to confirm that you've been approved for a Your Plan account. Your account is all set up and you're ready to shop." It goes on to say that his credit limit is £5,000. But Creation told me that this email had been generated in error, and that his application had definitely been declined.

I also asked Creation to send me a copy of the terms and conditions of a Your Plan account. Creation sent me a copy of an executed running account credit agreement in Mr A's name, signed by him and signed for and on behalf of Creation by a member of its staff, and dated 1 December 2022. Creation also sent me evidence showing that a direct debit had been set up to make payments to Mr A's Your Plan account. That evidence is entirely inconsistent with its case.

I think that the preponderance of the evidence leans very heavily towards proving that Mr A did indeed have a Your Plan account. In particular, the existence of an executed running account credit agreement seems to me to be conclusive evidence that Mr A did have a credit facility with Creation, whatever else the screenshot seems to say about that. (Presumably he still has the account today.) If he is not *supposed* to have a Your Plan account because he did not meet Creation's lending criteria, then that means that his account was opened in error, but it does not mean that he does not in fact have one at all. It might mean that Creation's systems did not pick up on the fact that he did not qualify for a line of credit until he tried to make a purchase with it, and this may be why his attempted purchase of a laptop was declined.

Whatever the reason for that – and we may never get to the bottom of it – it must have been quite galling for Mr A to be told that he had a credit facility with a £5,000 credit limit, and then to immediately be declined for a BNPL purchase of a £1,700 laptop, with no more explanation than that he had not met Creation's lending criteria when only a moment ago he had (or at least he had appeared to). So I propose to award him £100 for that.

(The position would have been different if Creation had told Mr A at the outset that he couldn't have a Your Plan account. If that had happened, then telling him that he didn't meet Creation's criteria would have been as much of an explanation as he was entitled to.)

A hard credit search was always going to appear on Mr A's credit file in connection with his application for a Your Plan account, whatever the outcome. So I won't require that to be removed. And as I've said, I have been told that the second credit search when he tried to buy the laptop will not appear on his credit file and will not affect him in any way. That seems plausible to me and so I will accept it is true, and so I will not make any order about that. But I may well change my mind if Mr A provides his credit file and it shows two searches by Creation on the same day.

So I am currently minded to uphold this complaint and to order Creation Consumer Finance Ltd to pay Mr A £100.

### **Responses to my provisional decision**

Creation accepted my provisional decision. Mr A did not. He asked if Creation have different lending criteria for Your Plan and BNPL applications; he said if they do, then he had been induced to apply for a Your Plan account under false pretences; if not, then he should have been approved for his BNPL purchase. In either case, he argued that the hard search should be removed from his credit file. He also asked for £250 compensation and a letter of apology.

Mr A also provided some screenshots of parts of his credit file, showing that Creation had carried out one hard search and two soft searches (the latter relating to a credit quotation and an identity check). Another screenshot showed that he used to have a £5,000 credit limit with Creation, from 1 December 2022 until he closed that account three weeks later.

### **My findings**

That last screenshot reinforces my opinion that Mr A did have an account with Creation, but that is no longer in dispute. The other screenshots confirm that there was only one hard search by Creation. So there is no reason for me to change the findings of fact I made in my provisional decision, and I confirm them here.

For the same reasons I gave earlier, I am not going to enquire about Creation's lending criteria. But I don't think Mr A is really asking me to do that; his point is that in either of two alternative cases, the hard search should be removed. However, as I explained in my provisional decision, I think there is a third scenario: that the Your Plan account was opened in error, and this was discovered when his BNPL purchase was declined (under the same lending criteria). So I am not persuaded that the account was misrepresented to Mr A before he applied for it, and I remain of the view that the hard search belongs on his credit file.

I still think that £100 is in line with what our service would typically award for an error of this kind. I have considered whether to require Creation to write a letter of apology, but I think that compulsory apologies can come across as insincere, and so I will leave it to Creation to decide whether it wishes to do that voluntarily.

### **My final decision**

My decision is that I uphold this complaint. I order Creation Consumer Finance Ltd to pay Mr A £100.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or

reject my decision before 31 October 2023.

Richard Wood  
**Ombudsman**