

The complaint

Mrs T complains about how Creation Consumer Finance Ltd administered her credit agreement.

What happened

The background to this complaint is well-known to both parties. So, I haven't set it out in detail here. Instead, I've set out a summary of what I think are the key events.

Mrs T had a credit agreement with Creation. During the term of the agreement Mrs T was diagnosed with a serious medical condition, which led to significant changes in her life. As a result, Mrs T contacted Creation. She says she wanted to organise something which allowed her to continue repaying her debt at a more affordable level.

No repayment plan was arranged and, ultimately, Creation applied a default to Mrs T's credit file.

In January 2023, Mrs T complained to Creation. She said, in summary, that it hadn't helped her at a time of great need – despite her being as upfront as she could about her circumstances. Moreover, Mrs T said that the default had subsequently caused serious financial repercussions for her and her family at an extremely difficult and vulnerable time.

Creation didn't uphold Mrs T's complaint, so she approached our Service for an independent review. One of our Investigators reviewed things and, initially, asked Creation to remove the default. Shortly afterwards, though, in light of further comment from Creation, our Investigator changed her mind, and didn't think she could reasonably ask Creation to remove the default.

Mrs T asked that an Ombudsman review her complaint and make a final decision. So, the complaint was passed to me to decide.

I contacted Creation, informally at first, to set out how I thought the complaint should be resolved. I said:

"...As I understand it, the crux of the dispute is the default registered by Creation against Mrs T. I've looked at what happened in the lead up to the default being registered and, in my view, I think that had Creation stepped in and helped Mrs T sooner, then things very likely wouldn't have ended up as they now have.

Broadly, I think the decision to go ahead with defaulting Mrs T (while not necessarily procedurally "wrong") was a strict one – and one made without due consideration to her circumstances and clear willingness to repay the debt. I'll explain my position in more detail below.

Mrs T contacted Creation in September 2021. During this call she explained her cancer diagnosis and the effect it was having on her. So, Creation were aware from this point of the challenges Mrs T was currently – and would continue to be – facing.

Looking at Mrs T's repayment history from around that time, it's true to say that she did miss some repayments. That said, she was clearly trying to keep up with her responsibility to repay the debt and make the best effort she could to stick to her contractual obligations. I say that because I've seen she made manual repayments to bring her account in line when it fell behind. I think this would, or certainly should, have indicated to Creation that Mrs T was willing to repay what she owed but might have been struggling, quite soon after informing it of her cancer diagnosis. She clearly wasn't, though, in my view, ignoring her responsibilities.

Mrs T called again in December 2021. Here, Creation's notes suggest that she referred to the Covid-19 pandemic as having had an effect on her financial position. The call notes don't appear to reference Mrs T's medical circumstances, but I don't think she ought to have been expected to bring those up each and every time she called – which, incidentally, is something she's told us she had to do, and is unhappy about. As I've said above, Creation had already been informed of the medical issues Mrs T faced and – given the recent missed repayments, as well as references to the pandemic impacting her financial position – I think Creation ought to have realised, with all of that combined, that Mrs T was clearly vulnerable and in need of help at this point. So, I think Creation should've stepped in here.

I'll say at this point that I know Creation has already acknowledged that it could've done better, so I won't revisit that aspect in detail. As I understand it, Creation's acknowledged failings here are predominantly why Mrs T's debt was ultimately written off. Nonetheless, it remains that I don't think I can fairly say Creation treated Mrs T positively and sympathetically in her specific circumstances.

Looking at Mrs T's wider testimony and evidence, she's shown that she was able to reach agreements with her other creditors to keep up repayments and avoid default. It doesn't fit the narrative, or the evidenced pattern of Mrs T's behaviour, that she'd willingly allow this account to slide, ultimately defaulting, and cause her the substantial financial issues that it now has. Fundamentally then, I don't think Creation was robust enough in its approach to helping Mrs T. Instead, if it had intervened earlier given the clear warning signs, I think it very likely that Mrs T – as with all other creditors – would've agreed a repayment plan and avoided default.

That's supported by the letter she wrote to Creation in February 2022. While I know Creation says this letter wasn't received, I think it still provides important context on Mrs T's mindset and determination to reach an agreement and avoid a default. There's nothing illogical about someone in Mrs T's position wanting to do everything they can to avoid financial harm further down the line. And as I've already explained, given the reasons I've set out above, had Creation stepped as I think it should have – and as it's broadly acknowledged it should have – I think it's very unlikely Mrs T would have reached the point of default.

I'll be clear that I'm not instructing Creation on what should be recorded, if anything, in the alternative to the default. The fact remains that Mrs T did miss repayments. It's simply the case that I think a default almost certainly would've been avoided, had Creation done things as it should have and stepped in to help Mrs T given what it knew about her circumstances.

I think all parties know the need to bring things to a quick resolution here. So, please

let me know if Creation would be willing to remove the default from Mrs T's credit file and settle the complaint – including the £200 distress and inconvenience payment...”

I gave Creation a deadline of 18 October 2023 to respond, but it didn't. Instead, it contacted this Service asking for an extension to that deadline. I agreed to provide Creation with an extension to 1 November 2023, in the hope things could be resolved informally. Again, though, Creation hasn't responded. It's now had around four weeks to reply and still hasn't done so.

I also arranged for my initial findings to be passed to Mrs T. She had no further comments, except to say she agreed with everything I'd set out.

Given there's still no reply from Creation, I see no alternative but to issue a formal 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.

Having done so, in the absence of any further comment or evidence from Creation, I see no reason to depart from what I set out when I contacted it on 11 October 2023.

For completeness, my view of the complaint is:

- While I acknowledge that Creation doesn't think its decision to default Mrs T was procedurally “wrong”, I do think the decision was made without due care and attention to her specific circumstances.
- Had Creation stepped in as it should have, with meaningful assistance at the right time; I find it *most likely* that a default would've been avoided.
- That's supported by Mrs T's testimony and her actions with other creditors. She's shown this Service that she was able to reach agreements to repay her other debts, and she's shown that she attempted to do the same with Creation.
- I'm satisfied that Mrs T was, in no way, attempting to ignore or avoid her debt. She only wanted some help in repaying it, at a very difficult time for her and her family. Creation should've done more to help.
- Creation has broadly acknowledged that it handled Mrs T's situation poorly, and that's a key reason why the debt was ultimately written off.
- I'm not instructing Creation on what it can record, if anything, in the alternative to a default. My finding here is that I'm satisfied a default would *most likely* (based on the available evidence) have been avoided, had Creation done what it should have.
- With all of that in mind, I think Creation should now remove the default. I also agree that Mrs T should be compensated for Creation's poor handling of the matter, and to that end I think £200 is appropriate.

I'm aware of just how much this matter has impacted Mrs T, and I can surely understand her loss of trust and confidence in Creation.

It's so very disappointing to see Creation repeatedly miss deadlines that have been set by this Service in an attempt to resolve things quickly. I've no doubt that's caused Mrs T continued, avoidable, distress.

That said, I know Mrs T wants to put the matter behind her as quickly as possible. So, to bring this complaint to an end, I require Creation to:

- Remove the default from Mrs T's credit file.
- Pay Mrs T £200 compensation for the distress and inconvenience it's caused her.

My final decision

My final decision is that I uphold Mrs T's complaint. Creation Consumer Finance Ltd should now put things right, as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs T to accept or reject my decision before 5 December 2023.

Simon Louth
Ombudsman