

The complaint

Mr M complains that Creation Financial Services Limited unfairly closed his credit card accounts and left searches on his credit file. He'd like these searches removed and compensation.

What happened

Mr M had a credit card account with Creation. This account offered the opportunity to earn reward points that could then be traded for hotel stays or experiences. In September 2021 Creation wrote to Mr M to let him know they'd be closing his account in December 2021. They also said he could no longer earn reward points, and those accumulated so far would not be credited to the reward account. He asked them if he could apply for another credit card and was told it was possible but subject to checks.

After Mr M completed his application Creation wrote to him to confirm the account was set up, and a card was being sent to him. However, a few days later they wrote again to say that they had retracted the decision. They said to destroy any card and that the credit search created as part of that application would be removed from his credit file.

Mr M complained, saying he felt the reasons for closing his account were based on where he had used his card, and so were discriminatory. He was also unhappy the search hadn't been removed from his credit file. Creation responded to say they had closed his account in line with the terms.

Dissatisfied with this answer Mr M referred his complaint to our service. Before one of our investigators could look into the case Creation offered to resolve it by refunding Mr M his reward points. However, he declined this, as it didn't take in to account the other issues he raised.

Our investigator looked into what happened. Creation confirmed they had removed the second credit card account from the credit file, but not the search. On review our investigator thought this should be enough to resolve the complaint. They were satisfied that Creation had closed Mr M's credit card accounts in line with the terms. They thought there was a miscommunication and that Creation referred to removing the account from the credit file, and that they wouldn't expect searches to be removed. They felt the crediting of the points was a fair way to resolve the complaint.

This was accepted by Creation, but Mr M disagreed. As no agreement could be reached the complaint has been passed to me to decide.

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.

Creation's terms allow them to close an account for any reasonable reason, so long as they provide the required notice. For Mr M's reward account, I can see that the notice was sent,

and gave sufficient warning. I can also see Mr M discussed applying for the second card before the expiry of the notice, so this tells me this notice was received and understood.

There isn't any specific obligation on Creation to tell Mr M the reasons they've closed his account – and they've declined to do so here. This isn't unreasonable in itself – although it has meant that Mr M feels he has been discriminated against. Creation have supplied their reasoning to our service, and I'm satisfied that this can be treated in confidence, as our rules allow.

It's not my role to say whether the closure has breached the legislation in the UK that deals with discrimination – the Equalities Act 2010 – as this is a decision reserved for the courts. I'm satisfied the reasons given for closing the account are reasonable. I've seen nothing to suggest the decision was down to any of Mr M's protected characteristics, rather it was a legitimate commercial decision they were entitled to make. On that basis, I don't see they have been unfair to him. Likewise, I'm satisfied the closure of the second card so soon after it was opened was in line with the terms of the account.

Creation could have been more helpful when Mr M asked if he could open a different account. It seems to be accepted that he wasn't told it definitely would be successful. But it's also clear from how soon after Creation decided to close the account, this outcome perhaps could have been anticipated.

Likewise, the letter Mr M has sent us from Creation says the credit search will be removed from his credit file. But I accept that Creation intended only to remove the account, rather than the record of the search. Removing the account is fair, as it was never used. But usually, I wouldn't expect a business to remove factual information from a credit file. There's clearly been some an expectation set, that hasn't been fulfilled.

I've considered whether this should be removed, but I'm not persuaded it should. If a customer applies for an account, and agrees to credit searches in the process, I would, only expect this type of information to be removed if the business performing the searches provided incorrect information to credit reference agencies. I've seen nothing to suggest that was the case here. A search was carried out because Mr M applied for an account. And Creation have an obligation to report accurate information. I'm satisfied that is what has happened here.

As such, I'm not expecting Creation to remove the search from the credit file. And I don't see that the loss of expectation is such that compensation should be paid. With that in mind I see Creation's offer to pay Mr M the accrued reward points as a fair resolution to the complaint.

My final decision

My final decision is that Creation Consumer Finance Limited should credit Mr M's reward account with the accumulated points.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 30 November 2023.

Thom Bennett
Ombudsman