

The complaint

Mr K complains Creation Consumer Finance Ltd declined his application for finance.

What happened

Mr K visited an electrical store to get a desk top computer. Mr K applied for a two year interest free deal but the finance was declined.

Mr K says he has a regular income and lives mortgage free. Mr K says his credit score is good so he couldn't understand why he was declined for the finance. Mr K complained to Creation.

Creation responded to say Mr K didn't meet its internal lending criteria. Creation said Mr K applied for the finance so it recorded a hard search on Mr K's credit file and wouldn't be removing this search.

Unhappy with this answer Mr K brought his complaint to this service. An investigator looked into things and thought Mr K's complaint should be upheld. The investigator didn't think Creation had provided enough information to say exactly why the finance was declined.

The investigator thought this decline had been embarrassing and inconvenient for Mr K. The investigator thought Creation should pay Mr K £200 to compensate for this.

Mr K agreed with the investigator's assessment.

Creation said it would respond to the assessment but didn't. Mr K's complaint was passed to me to decide things.

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've asked Creation to supply the details keyed at the point of Mr K's application, but it's said it doesn't hold this information any longer.

I also asked Creation to explain how Mr K failed its lending criteria when he appears to have a good income and little in the way of outgoings. Creation responded to say Mr K's income was £600 a month, and this is less than Creation's minimum income for the finance.

Where evidence is contradictory or incomplete, I can decide a complaint on the balance of probabilities, what I think is more likely to have happened.

Mr K's told this service he has an income of over £1,500 a month. Mr K's said he's mortgage free. Mr K says his credit score is very good.

I've seen Mr K's credit file, and he's up to date with his credit payments. I couldn't see a mortgage on there, so what's normally someone's largest expenditure isn't there for Mr K.

Mr K has a balance on a credit card, but with his income this seems more than manageable.

And Mr K's credit score is good. A credit score isn't necessarily the same as Mr K's ability to get finance, but I've seen nothing on Mr K's credit file to suggest he shouldn't be able to obtain finance on his credit file alone.

The finance Mr K applied for would have worked out at a little over £20 a month for two years. This isn't a lot of money, not in comparison to Mr K's income and limited outgoings.

The finance application was keyed by the store Mr K visited. I don't believe Mr K told the person in store his income was £600 a month.

This is because Mr K's already told this service his income's much more than this figure, and Mr K didn't know he'd failed affordability on a minimum income threshold.

Mr K had no reason to tell this service his income, he'd not been told by Creation his income was too low. I believe Mr K when he says his income is much more than £600 a month.

Creation's told this service it doesn't have a copy of the application from the store and hasn't provided records of what was keyed at the time. Instead, I've been sent an email from its risk department to say Mr K's income was declared at £600 a month.

I've not put much weight on this information, Creation's been asked repeatedly to provide the application information, an email with no supporting proof isn't, I think, enough to say Mr K told Creation his income was £600 a month.

It's possible Mr K's free income is £600, this is his income less his priority payments and bills, but I don't believe Mr K said his total income was this low.

Another alternative is Creation's used a model to predict Mr K's income, based on his outgoings. Since Mr K has no mortgage, and limited other lending on his credit file, it's possible the model gave a lower figure than Mr K's actual income.

There's also a chance the person in store, keying the application, made an error.

But, either way, I don't think Creation's treated Mr K fairly during his application for finance, and I don't think Mr K is at fault in any way.

And I don't think Creation's made a reasonable decision to decline Mr K's application.

Mr K's said the decline of his finance was embarrassing and he had to buy the computer on a credit card. I think this decline, and the lack of a full explanation, will have caused Mr K some inconvenience as well as the embarrassment and confusion of the decline.

If Creation had explained, right from the start, Mr K didn't meet its minimum income threshold I think Mr K would have explained this must be an error.

Without Mr K being told the apparently, very obvious reason for decline, I think this has caused him unnecessary distress.

The investigator said Mr K should be compensated £200 and in the circumstances I think this is a fair amount to pay.

My final decision

My final decision is I uphold this complaint and Creation Consumer Finance Ltd should pay Mr K £200 to compensate him for unfairly declining his application for finance.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 18 March 2024.

Chris Russ
Ombudsman