

The complaint

Mr P complains that Creation Consumer Finance Ltd have recorded adverse information on his credit file in relation to a loan he had with it.

What happened

I previously issued my provisional decision on this case. It was my intention to come to the same outcome as the Investigator, but I wanted to give both parties the chance to respond with anything else they wanted me to consider before I came to my final decision on the matter.

I have copied my provisional decision below, which also forms part of this final decision.

“In April 2020, Mr P took out a loan for £7,500 with Creation. The loan term was 60 months and the monthly contractual repayments were set at £209.02.

Mr P contacted Creation in October 2022, to ask for help due to struggling financially. At this time, Creation agreed a three month payment arrangement of £10 per month due to end in December 2022.

Mr P contacted Creation after he noticed his credit file had been negatively impacted. He says Creation told him that no agreement had been put in place for him to repay the arrears he incurred as a result of the repayment plan, and so his loan account was showing as being in arrears – which was being reported to the credit reference agencies.

Mr P says that when he requested a payment arrangement, the person he spoke to said he could extend the loan term by three months – and he says the operator didn’t provide him with a clear answer. He also said that Creation didn’t contact him to pay the arrears and it was always him that got in touch with Creation.

Creation didn’t uphold Mr P’s complaint. It said it provided Mr P with the correct information about the payment arrangement – in that payment arrears would build on the account as a result of Mr P not making the contractual repayment and that the credit file would be impacted.

An Investigator considered what both parties had said, but they didn’t think Creation had acted unfairly. They found that Creation had been clear in letting Mr P know that his credit file would be impacted by the payment plan, they didn’t find that Creation had agreed to extend the loan term to cover the arrears and they felt that it was fair of Creation to report the account as being in arrears to the credit reference agencies.

Mr P didn’t agree with the Investigator’s view. In summary, he said:

- *He asked for a payment holiday because he was in the process of changing jobs.*
- *He asked Creation several times if his credit file would be impacted and the advisor said they didn’t know.*

- Once the payment holiday had ended, he continued making the contractual monthly repayments as he thought it had been agreed that the arrears would be at the end of the loan.
- He also asked another lender for a payment plan at the same time, and this lender hasn't made adverse entries on his credit file and has dealt with the situation fairly.
- The issue has had a big impact on his morale and his job.

Because an agreement couldn't be reached, the complaint has been passed to me to decide on the matter.

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 considered all of the available evidence, I'm sorry to disappoint Mr P, but I don't intend to uphold his complaint.

I've listened to the call Mr P had with Creation in October 2022 when he set up the reduced payment plan. It's clear from the call that Mr P was concerned about how this might impact his credit file. The advisor explained to Mr P that his credit file would likely show that he was in a payment arrangement. The advisor also explained to Mr P that at the end of the plan, the account would be in arrears and Mr P would need to contact it again to discuss repayment of the arrears. During the call, Mr P agreed to contact Creation again at the end of the plan. During this call, the advisor didn't tell Mr P that the arrears would be added onto the end of the loan term.

The advisor didn't tell Mr P that the arrears, once the plan had ended, would impact his credit file. I think this should have been explained to Mr P, given that he was clearly very concerned about the impact of all of this to his credit file. But, I think it ought to have been clear to Mr P that arrears would build up on the account, which also required a conversation to agree repayment of them.

I have listened to a call Mr P had with Creation in January 2023. The representative explained to Mr P why his credit file had been impacted. But I don't think the call was very clear in explaining Mr P's options to clear the outstanding arrears. The representative told Mr P that his normal monthly payment would pay the arrears. But it wasn't very clear in explaining that this would continue to impact Mr P's credit file, and there was no discussion about what other options were available to him to help rectify his credit file more quickly – for example, making increased monthly repayments to clear the arrears.

Overall, I think Creation could have been clearer in how it explained things to Mr P. I have thought about what is likely to have happened if Creation had been clearer that the arrears would impact his credit file, or if it had provided him with better information about how to clear the arrears. The reality is, it's very difficult to know what Mr P would have done if he'd been given better information. I still find it likely the arrears would have built up on the account – that's because Mr P said in October 2022 that he was struggling financially, so I think at that time he would still have needed to reduce his repayments to the loan – which would have resulted in the account being in arrears. Mr P also knew in January 2023 that he had more than £600 of arrears on his account, but this wasn't cleared until July 2023. I have asked Mr P if he had the ability to repay the arrears once the plan had ended, or if he had available funds to pay more than the contractual monthly amount in order to pay the arrears more quickly. But Mr P didn't respond to my request for this information.

So, I currently conclude, based on what I've seen so far, that Creation could have done

better at explaining Mr P's options to repay the arrears. But even if it had provided a better explanation, I'm not persuaded that Mr P had the means to pay off the arrears or pay them more quickly than he did. So, I don't find that Mr P's credit file position would have been any better even if he had been provided with better information. For that reason, I won't be asking Creation to amend Mr P's credit file.

I accept that all of this has come about due to what appears to be a misunderstanding. Mr P says he thought the loan term would be extended to repay the arrears, and that he thought he was doing the right thing by carrying on with the contractual repayments once the arrangement had come to an end. It's clear from what Mr P has told both Creation and this service that he makes every effort to keep up with his financial commitments – and prior to the arrangement being put in place, he hadn't missed any payments. So I can understand why this situation has caused Mr P upset.

But ultimately, I can only ask Creation to put something right where it has done something wrong. In this case, arrears had built up on the account which weren't repaid, so it wasn't unreasonable of Creation to report this to the credit reference agencies. While I note it could have done better in explaining things to Mr P, for the reasons I've already explained, I don't think the outcome here would have been different had the information been better.

Mr P added that another lender dealt with the situation differently. But my role here is to look at whether the action Creation took in this case was fair and reasonable. I can't compare this to other firms or make comment on another firm's processes as part of this decision."

Creation responded to say that it agreed with, my provisional decision, and that it would provide feedback to the customer service agent that handled Mr P's query.

Mr P didn't respond.

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 considered all the information again, it is my decision not to uphold Mr P's complaint.

Given that Creation accepted my findings, and Mr P didn't respond with anything else for me to consider, I see no reason to depart from the findings in my provisional decision. It follows that I don't uphold Mr P's complaint.

My final decision

For the reasons set out above, I don't uphold Mr P's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 28 June 2024.

Sophie Wilkinson
Ombudsman