

## **The complaint and what happened**

Mr C complains that Creation Consumer Finance Ltd lent to him irresponsibly and without carrying out proper affordability checks. He would like all the fees and charges associated with the loan refunded, as well as compensation for the length of time the complaint has been ongoing.

I've included relevant sections of my provisional decision from May 2024, which form part of this final decision. In my provisional decision I set out the reasons why I wasn't planning to uphold this complaint. In brief that was because I thought the evidence showed that giving him this loan would significantly improve Mr C's financial position to the extent that it ought to have been affordable and sustainable for him to repay. So I didn't think Creation had done anything wrong.

I asked both parties to let me have any more information they wanted me to consider. Creation accepted my provisional findings and Mr C did not 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 done so, I'm not upholding it, and I'll reiterate why, but first I've included here the relevant sections of my provisional decision:

### ***"What happened***

*In July 2018 Creation approved a loan of £19,000 for Mr C, which was scheduled to be repaid at approximately £407 per month over a term of 60 months. The loan was intended to be used to consolidate other unsecured debt. When assessing the application, Creation asked Mr C about his circumstances; carried out a credit check; and did a basic income and expenditure (I&E) analysis before approving the lending.*

*Mr C settled the loan as planned in March 2021.*

*The investigator looked at the evidence and thought that Creation ought not to have given Mr C this loan, because of the amount of debt he already had. Creation didn't accept that, and asked an ombudsman to look at the case.*

### ***my provisional findings***

*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'm currently not planning to uphold it, and I'll explain why.*

*The investigator set out that he thought, given the size and duration of the loan, Creation ought to have sought out more recent information from Mr C. He ultimately identified, from Mr C's bank statements, that he had a large amount of unsecured debt which left him with insufficient disposable income to be able to sustainably afford this borrowing. He also said*

*that Creation ought to have done more to understand the extent to which this borrowing was to be used for debt consolidation.*

*Whilst I agree with all of these points, I concluded that some further evidence about the debt consolidation was needed. It was clear that Mr C had told Creation that was what the money was for. And it was clear that Creation had identified a large number of unsecured debt accounts via its checks. The investigator set out in his view that Mr C had seven credit cards, and three unsecured loans at the time, and was spending around £845 a month in servicing those debts.*

*What I haven't seen is a detailed assessment by Creation of exactly which other debts Mr C planned to consolidate and therefore exactly what impact that would have had on his overall monthly debt burden. But it was entitled to rely on what Mr C told it about the intended purpose of the loan, and which was large enough to have a significant impact on his overall financial position.*

*I asked Mr C for some more information about whether he did use this loan to consolidate other debts, which he confirmed he did. He provided me with the detail of which accounts were paid off, in short, almost all of them. Looking at his level of indebtedness, and accepting that he was going to consolidate £19,000 worth of that indebtedness into this one loan from it, I think it was reasonable for Creation to conclude that Mr C would be able to sustainably afford the repayments. From what he's told me, I can see that Mr C managed to clear a lot of far more expensive revolving credit by using this loan at 10.9% APR to settle it. In short, he improved his financial situation by taking out this loan.*

*Whilst Creation could not, of course, have guaranteed that Mr C would do as he said he wanted to, it also had no reason to doubt him. It seems clear that he genuinely wanted to take steps to reduce his debt burden, and that Creation accepted his application on that basis. Creation should have asked more. Its checks didn't go far enough in all the circumstances. But a more thorough I&E, perhaps using bank statements, setting out exactly which other debts would be cleared, and therefore how Mr C's expenditure would reduce, would only have led Creation to conclude that this loan was affordable for him.*

*So, based on the available evidence, I cannot reach a finding that Creation ought to have identified that this borrowing would not be sustainable for Mr C when it assessed his application. It therefore follows that I do not currently plan to uphold this complaint."*

As mentioned above, Creation has accepted my findings, and Mr C hasn't responded. Therefore I have seen nothing which alters my findings as set out in my provisional decision. And so it follows that I do not uphold this complaint.

## **My final decision**

For the reasons I've explained, I do not uphold this complaint and Creation does not need to do anything.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 9 July 2024.

Siobhan McBride

**Ombudsman**