

## **The complaint**

Miss H is being represented by a third party, Mr S. The complaint about Creation Consumer Finance Ltd centres on the service and lack of information provided in connection with enquiries about settling a loan early and how the early settlement figure was calculated.

## **What happened**

In 2020, Miss H took out a fixed sum loan agreement with Creation. According to the credit agreement, £19,300 was borrowed over a term of 15 years with a monthly repayment of £201. The total amount to be repaid over the term was £36,228. In the end, the loan was repaid in full in August of this year.

While the loan was taken in Miss H's name, it was for the benefit of her then partner, Mr S, to complete works on his house. I understand Miss H and Mr S are no longer together and Mr S was making loan payments and dealing with Creation in respect of the loan.

Mr S was making enquiries about settling the loan early for some time. He did complain previously in 2022, but Creation accepts it didn't log this correctly and credited £250 to the loan in recognition of that failing. But in terms of the early settlement figure quoted to Mr S, it maintained this was correct.

Our investigator didn't recommend the complaint be upheld. She explained how early settlement figures for this type of loan are calculated and was satisfied the figure provided by Creation was correct. She also felt the compensation paid because Creation hadn't dealt with the earlier complaint was fair.

Mr S didn't accept the investigator's assessment. He said his main concern was that whenever he asked Creation about making a lump sum overpayment, it wasn't able to tell him by how months the term of the loan would be reduced. As a result, he doubted whether the interest payable was being reduced correctly to take account of proposed overpayments.

The complaint has now been referred to me for review.

## **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've reached the same overall conclusions as the investigator. I haven't necessarily commented on every single point raised but concentrated instead on the issues I believe are central to the outcome of the complaint. This is consistent with our established role as an informal alternative to the courts. In considering this complaint I've had regard to the relevant law and regulations; any regulator's rules, guidance and standards, codes of practice, and what I consider was good industry practice at the time.

The rules under which we operate are set out in the Financial Conduct Authority (FCA) Handbook. Aside for a handful of exceptions that don't apply in this case, these essentially

say a consumer must be a customer of the business being complained about to be an eligible complainant. In this case, the loan was taken out by Ms H and she's the eligible complainant, but she's given her authority for us to deal with Mr S on her behalf in connection with this complaint.

I can see that Mr S has been making enquiries of Creation about settling the loan early for some time, including his earlier complaint in 2022. By its own admission, Creation should have dealt with this at the time, but I'm satisfied that reducing the loan balance by £250 when it discovered this failing was a reasonable response and that no further compensation is due for this issue.

As our investigator explained, when this type of loan is repaid early, the borrower isn't expected to pay the full amount of interest calculated in the original loan agreement and is entitled to a rebate. Rebates are normally calculated using a mathematical formula set out in the consumer credit (early settlement) regulations 2004.

Creation has provided a statement showing the loan has been settled in full since our investigator issued her assessment. The statement shows an interest rebate of over £10,000 was applied and that the total of all payments, including overpayments and the compensation mentioned above, was around £26,000. Creation says the rebate was calculated in line with the 2004 regulations and this figure appears consistent with what I'd expect when a loan of this type is settled early. I've seen nothing to confirm the calculated rebate for the final settlement figure or the various early settlement figures quoted in response to Mr S's enquiries over a period of time were incorrect and I'm satisfied he's now in the correct financial position.

Now the loan has been settled, Mr S will no longer require the kind of forecasts he was requesting from Creation. But that doesn't stop me commenting on the concerns he's raised and the call recording he's provided to demonstrate his point.

During the call, Mr S was asking how many more months he'd need to make payments if he paid a lump sum in the expectation that he'd be able to fully repay the loan sooner. In my view, that's a perfectly understandable question and one that could reasonably have affected his decision on how to proceed. It's also one that I think Creation should have been able to answer. Even if its systems weren't set up to allow an agent to provide a figure immediately, I can't see any reason why this couldn't have been calculated after the call and forwarded to Mr S.

I also understand this wasn't the only time Mr S had asked the same question without receiving a response and I do understand why he found this so frustrating. I can also see this issue caused him some unnecessary distress and inconvenience but I'm not in a position to award him compensation as he's not an eligible complainant as defined in the rules.

It's for these reasons that I'm not upholding this complaint. I realise this outcome may be disappointing for Mr S, but I hope the additional explanation provided is helpful.

During the course of his complaint, Mr S has expressed the view that the loan should never have been released in the first place as the associated works weren't complete. Our investigator has explained, and Mr S seems to accept, that this is a new complaint he'd need to raise separately with Creation. If he does that, he may then be able to refer the matter to us if he's dissatisfied with the response received.

**My final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 3 December 2024.

James Biles  
**Ombudsman**