

## **Complaint**

Mr H has complained that Creation Consumer Finance Ltd (“Creation”) irresponsibly provided him with an unaffordable credit account. He’s said that the credit account he was given was not affordable.

## **Background**

Mr H was provided with a credit account, with a credit limit of £2,000.00 in February 2021. There were no credit limit increases provided to Mr H.

One of our investigators reviewed what Mr H and Creation had told us. And she thought that Creation didn’t do anything wrong when providing Mr H with his credit account. So she didn’t uphold Mr H’s complaint.

Mr H disagreed, so the case was passed to an ombudsman for review.

## **My findings**

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Mr H’s complaint.

Having carefully considered everything provided, I’m not upholding Mr H’s complaint. I’ll explain why in a bit more detail.

Creation needed to make sure that it didn’t lend irresponsibly. In practice, what this means is Creation needed to carry out proportionate checks to be able to understand whether Mr H could afford to repay before providing her with a credit card.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

The credit account Mr H was provided with had a credit limit of £2,000.00. And as this was a revolving credit facility, Creation was required to understand whether Mr H could repay around £2,000.00 within a reasonable period of time. A credit limit of this amount required reasonable – but not excessive - monthly payments in order to clear the full amount owed within a reasonable period of time.

Creation says that it would have asked Mr H to confirm his income and that it carried out a credit check. It says that Mr H declared that he earned £43,000.00 and the while credit checks carried out showed that Mr H had some existing credit commitments, he would still have had the funds to make the required payments.

I've carefully thought about what the parties have said. The first thing for me to say is that while Creation hasn't provided me with the detail of what was in its credit check, I've nonetheless looked at the full copy of the credit file Mr H has provided me with. And having done so, I'm satisfied that Mr H didn't have any significant adverse information – such as default accounts or county court judgments ("CCJ") - recorded against him.

That said given the limit provided and Mr H's existing credit commitments, I do think that there is an argument to say that Creation ought to have done more to ascertain Mr H's actual regular living costs. That said, I don't think that Creation obtaining further information on Mr H's actual living costs, would have made a difference to its decision to lend in this instance.

I say this because having looked at copies of the bank statements for the accounts Mr H has provided, I can't see anything within them which clearly demonstrates that obtaining further information on Mr H's living costs will have clearly shown that he did not have the funds to make the monthly repayments required to clear the balance on this account within a reasonable period of time. So, in these circumstances, it's difficult for me to conclude that Creation wouldn't have lent even if it had tried to find out more about Mr H's regular living costs at this time.

I accept that Mr H's actual circumstances at the time were worse than what the information about his living costs shows. I know that Mr H has referred to his gambling. I also accept that if Creation had known about this as Mr H appears to be saying it should have it's possible, but by no means certain, that it may have reached a different decision on providing the credit account.

But the truth is, given the circumstances here and what Creation needed to find out, I don't think that reasonable and proportionate checks would have extended into obtaining bank statements – especially as bank statements weren't the only way that Creation could find out about Mr H's living expenses in the first place. And they certainly wouldn't have gone into the level of granularity required to discover that Mr H may have had difficulties with gambling.

In my view, delving into the detail of Mr H's statements in this way isn't commensurate with a proportionate check given the circumstances here. And most crucially I'm satisfied that Creation taking further steps to find out more about Mr H's living expenses won't have led it to determine that the repayments to this credit account were unaffordable for Mr H.

I'd also add that it's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong. And, in this case, I don't think that Creation did anything wrong in deciding to lend to Mr H. So overall I don't think it was unreasonable for Creation to provide this credit account to Mr H.

In reaching this conclusion I've also considered whether the lending relationship between Creation and Mr H might have been unfair to Mr H under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think Creation irresponsibly lent to Mr H or otherwise treated him unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

As this is the case, I'm not upholding Mr H's complaint. I appreciate this will be very disappointing for Mr H. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

**My final decision**

For the reasons I've explained, I'm not upholding Mr H's complaint.

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

Jeshen Narayanan  
**Ombudsman**