

The complaint

Miss H complains that Creation Consumer Finance Ltd unfairly refused to provide her with information about its decision to decline her loan application.

What happened

In January 2024 Miss H applied, in a retail store, for a buy now pay later loan (the 'loan') to fund the purchase of a phone costing in the region of £1,000. Her application was declined by the lender, Creation. Miss H contacted Creation to find out the reasons. She said she had good earnings and an excellent credit record so she couldn't understand the reasons for the loan being declined.

In response, Creation told Miss H, as with other lenders, it was not obligated to disclose an exact reason for declining her application but said, for example, this could be due to her not meeting its lending criteria and/or due to information obtained from credit reference agencies.

Miss H complained and referred this to our service. Amongst other things, she said she wanted to know Creation's reasons as she was concerned that, for example, someone was trying to fraudulently use her details. And she thought given more details would allow her to correct anything that was wrong.

Creation told us that a key reason it declined Miss H's application was that it was unable to verify her details via credit reference agencies.

Our investigator thought the complaint should be upheld and recommended an award of £100 to Miss H for the distress and inconvenience caused by Creation's failings. Amongst other things, our investigator noted the Financial Conduct Authority's Consumer Duty Principles required regulated firms to help consumers fulfil their financial objectives. And with this objective in mind, Creation should have done more to help Miss H understand why she was having trouble obtaining credit. Our investigator thought this could have been achieved if Creation had signposted Miss H to third parties (which it hadn't) who may have helped her understand why the application was declined, such as credit reference agencies and/or the MoneyHelper guidance.

Both Miss H and Creation disagreed with the investigator's view. Miss H wanted to know the reasons why Creation declined her application. And Creation maintained its position about what it could and could not tell Miss H. It added in terms of what the investigator said about Consumer Duty, that Miss H already knew about accessing credit reference agencies for information as she had already contacted these before making her complaint.

When the matter was passed to me I arranged for Miss H to be told about Creation not being able to find her details via credit reference agencies. Following this Creation provided an update saying it had discovered this was likely due to a personal detail being entered incorrectly in her loan application. Creation said this information would not have been disclosed to Miss H even if it had known about it at the time of her initial enquiry (which it was not), as it considered this would present a security risk.

I issued a provisional decision saying that I was intending to award Miss H £150 for the distress and inconvenience caused to her by Creation.

Miss H agreed with the decision but she refuted Creation's claims that she would have had an opportunity to review the application before it was submitted. She said the retailer who input the information into her application form, did so out of her sight. Miss H thought Creation should work with the retailer to address any shortcomings in the application process.

Creation also agreed with my recommended outcome. It said in response to a comment I made, which is set out below, that there was nothing that could have been corrected once the application was submitted as the credit was already declined and would not have been reversed. Creation acknowledged that whilst there was still no guarantee of acceptance, if the customer decided to apply again, they need to double check what information was input into the application.

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 reconsidered all the evidence and further submissions, I am reaching the same decision for the reasons set out in my provisional decision, which are as follows:

As noted above, the information Creation has supplied to us suggests that the application was declined because it was unable to locate Miss H's details via credit reference agencies. And this appears to be because one aspect of her personal details had been entered on the application incorrectly. In terms of who entered the details, both Miss H and Creation said that during the application process the retailer, who was acting as Creation's credit broker, entered information into an online application based on details Miss H provided. According to Creation, Miss H would have had an opportunity to review this information prior to it being submitted.

Given what both parties have said, I can't say for sure who was at fault for any errors in the application form. I also can't say for sure whether Creation would otherwise have approved the loan. Many factors can influence a lending decision, which is a commercial decision, such as an individual's circumstances including income, outgoings, existing levels of debt and the lenders own internal lending criteria. In any event, even without this loan, I can see that Miss H didn't suffer financially as she was able to find an alternative means of payment for the phone without significant detriment.

Therefore, the key issue here is whether Creation should have given Miss H more detailed information about why her loan application was declined. In reaching a decision on this issue, I have taken into account Creation's submissions about why it didn't provide this information to Miss H when she asked. It said that its lending criteria is commercially sensitive. But I think checks via credit reference agencies is a generally well-known procedure for lenders like Creation to undertake. I can't see that letting Miss H know her details could not be found, which was simply a matter of fact, would have led to her gaining a specific understanding of Creation's lending criteria which would not already have been reasonably known.

Creation has also said giving Miss H a more detailed explanation could have led to, for example, fraud and it was a breach of its security policy as a result. However, this was simply an error made at the point of sale which could have been corrected if Miss H was

told about it when she approached Creation for more details. In my view, even if Creation wasn't responsible for the original error, it had the opportunity to deal with it correctly and chose not to do so.

I understand Miss H's upset and frustration at not being told the reasons for her loan not being granted. I can see this has caused her unnecessary inconvenience and worry. I think this was an avoidable failing on Creation's part. At the very least, I think Creation could have pointed Miss H in the right direction to clarify or correct information that might be misleading. And by not doing so, I consider, as our investigator has said, this falls short in terms of its Consumer Duty obligations (see in particular, 2A.2.21G).

I acknowledge Miss H independently checked her credit file as Creation has pointed out. But I think this misses the point. The Duty sets a higher expectation for the standard of care that firms such as Creation give customers (which includes potential as well as actual customers). And firms are required to avoid causing foreseeable harm to customers as well as enabling and supporting them to pursue their financial objectives. I think Creation failed to do so by not providing Miss H with sufficiently clear information to allow her to understand why she was having trouble obtaining credit.

I've taken on board what both parties have said in response to my provisional decision. But neither party has submitted anything that has changed my mind. So, as I said in my provisional decision, given Miss H has spent a reasonable amount of time trying to sort this matter out. And has been caused some distress and inconvenience whilst doing so, I'm satisfied £150 fairly and reasonably recognises the impact Creation's error has had in the overall circumstances of this complaint.

My final decision

I order Creation Consumer Finance Ltd to pay Miss H £150 for the distress and inconvenience it has caused her.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 26 November 2024.

Yolande Mcleod
Ombudsman