

## **The complaint**

Mrs E is complaining about the way Creation Consumer Finance Ltd (Creation) administered certain aspects of her running credit account. Mrs E has brought the complaint to us together with a representative, but for ease I'll write as if we've dealt directly with Mrs E throughout.

## **What happened**

Mrs E took out a running credit account with Creation in April 2019 with a credit limit of £2,500. She used the account to buy three items on Buy Now Pay Later (BNPL) arrangements – one in September 2021 (Arrangement A), another in December 2022 (Arrangement B), and a third in June 2024 (Arrangement C).

This complaint relates primarily to Arrangement B. The arrangement included 12 months interest-free, and Mrs E made a payment of £200 shortly before the 12 months expired. When she did so, she intended that her payment would reduce the monthly payment amount for the remainder of the arrangement – and she selected this option on the Creation app. But when she later logged in to check the payment had gone through, she found that Creation had instead reduced the term of the arrangement.

Mrs E was unhappy and contacted Creation. After a series of phone calls which failed to resolve the issue she raised a complaint. Creation responded, acknowledging that they'd got things wrong. They said they'd look into why the account didn't work as intended, and credited £75 to Mrs E's balance as an apology. But they didn't make any changes to the monthly payments.

Mrs E rejected Creation's response and brought her complaint to our service. She was unhappy that she was having to pay more each month than she'd intended. She was frustrated that Creation had offered no solution to this. And she was upset that she hadn't been offered the option to have the £75 paid to her bank account, or deducted from the monthly repayments – it, like her £200 payment, had been applied to reduce the term on Arrangement B.

One of our investigators looked into Mrs E's complaint. He thought the complaint should be upheld. He said Creation needed to rework the account to reduce the monthly payment and pay Mrs E £100 in compensation. And he said, if it could be done without causing adverse information on Mrs E's credit report, Creation should allow Mrs E to underpay by £75 to reflect that Creation's earlier compensation payment should have been paid to Mrs E rather than credited to her BNPL account.

Both parties accepted our investigator's view in principle. But the implementation of this resolution did not go smoothly.

In response to our investigator's view, Creation calculated Mrs E had around £650 outstanding on Arrangement B, and 18 months over which to pay it. They took the 24.74% APR and calculated that Mrs E would need to make monthly payments of £42.84 for 18 months to pay off the balance.

By August 2024, Creation hadn't changed the direct debit, and Mrs E was still paying £65 per month instead of the revised amount, so she got back in touch with us. Later that month, Creation reduced both the monthly payments and the outstanding term, saying Mrs E would need to pay £35.81 for ten months from September 2024.

Mrs E objected, saying she would have around £185 left over at the end of the ten months if this was the case, and wouldn't want to be put in a position where she had to pay this off all at once. She also said she hadn't received the £100 compensation into her bank account.

Creation arranged to pay the £100. And they offered to write off £196 from Arrangement B – the amount Mrs E estimated would be left after nine months' worth of payments. But when Mrs E accepted this offer, they wrote it off the wrong arrangement – applying the amount to Arrangement C instead of Arrangement B.

In addition, Creation said they couldn't reverse the £75 credit without adversely affecting Mrs E's credit file. Mrs E disputed this, saying other creditors had been able to do this.

Frustrated by the continuing errors, and concerned that there might be an outstanding balance even after Creation had written £196 off the account, Mrs E asked for a decision.

I issued a provisional decision on 7 November 2024 suggesting a change in redress – I said Creation should pay a further £100 to Mrs E and should provide her with a statement clearly setting out both past and future payments. I explained this as follows:

*“Creation have acknowledged that they ought to have reduced Mrs E's monthly payments, rather than the term of her arrangement.*

*It's not clear what the intended repayment profile for Arrangement B was, even before Mrs E made her £200 payment. The statement says £65 per month for 24 months, but this would have led to Mrs E significantly overpaying, and other evidence suggests it was £65 per month for 18 (or possibly 19) months.*

*However, assuming the initial term was supposed to be 24 months, as stated in Creation's statement, an APR calculator suggests the repayments would have been reduced to around £42 per month by Mrs E's £200 payment if Creation had done what Mrs E asked and reduced the monthly repayment instead of the term.*

*Instead, Mrs E seems to have paid £65 per month for eight months, and then £35.81 per month since September 2024. If I deduct from the balance the £75 that Creation says they credited to the account in February 2024, I estimate that the balance will be fully paid off by the end of June 2025 if Mrs E continues to make her payments on schedule.*

*The figures being shown in Mrs E's app are confusing and don't match what I understand to have happened on this account. So I can appreciate why Mrs E is concerned by the figures being presented to her. However, I don't think there will be any balance outstanding at the end of June 2025 if the payments continue as planned.*

*So, Mrs E has paid more than she wanted to – by around £23 per month for eight months. But she's now paying around £7 less each month than she would have done if Creation hadn't got things wrong in the first place. And she'll pay Arrangement B off six months earlier than she'd have done if the term was 24 months.*

*I'm not inclined to ask Creation to rework the account – I'm not confident their systems can do this in the way that Mrs E wants, and it would lead to Mrs E having to pay more each month and for longer.*

*Instead, I think Creation should pay a further £100 to Mrs E. This will take the total compensation up to £275 - £200 paid directly to her and £75 which reduced the balance on her account. I'm inclined to say that's a fair amount to compensate her for paying off the agreement earlier than she intended as well as the considerable distress, frustration and inconvenience caused by Creation's ongoing errors over the past ten months or so.*

*For the avoidance of doubt, Creation are entitled to reverse the credit they applied to Arrangement C, but they need to ensure they do this correctly and that it has no adverse impact on Mrs E's credit file.*

*Because of the inaccuracy of the information that appears in Mrs E's app, I'm also inclined to ask Creation to provide Mrs E with a full statement of account for both arrangements, setting out clearly the payments, credits and interest applied both to date and expected through to settlement."*

In response, Creation said they can't provide an accurate statement showing future payments. But otherwise they accepted my view. And Mrs E suggested that for added peace of mind, I should direct Creation to write off any balance that remains outstanding once all the planned payments have been made – but otherwise accepted my view. I put Mrs E's suggestion to Creation but didn't receive a definitive response. So I'm issuing a final decision to clarify what needs to happen next.

### **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 upholding the complaint and directing redress in broadly the same way as I did in my provisional decision. However, because Creation are unable to produce a statement showing the future transactions, I'm satisfied it's fair to direct them instead to write off any balance that's showing as outstanding on Arrangement B after Mrs E has made the remaining planned payments of £35.81 per month up to June 2025.

### **My final decision**

As I've set out above, I'm upholding Mrs E's complaint. Creation Consumer Finance Ltd need to pay an additional £100 to Mrs E. And, should there be a balance outstanding on Arrangement B at the end of June 2025 after all the planned payments have been made, Creation Consumer Finance Ltd will need to write off this balance.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs E to accept or reject my decision before 26 December 2024.

Clare King  
**Ombudsman**