

The complaint

Mr K complains Creation Consumer Finance Ltd have reported a default against his account unfairly. He's also unhappy they refuse to tell him how the balance they say he owes has accrued.

What happened

I issued a provisional decision setting out what'd happened, and what I thought about that. I've copied the relevant elements of this below, and they form part of this final decision.

Mr K has explained after purchasing some items on finance using Creation, he started to experience some financial difficulties in 2022. Mr K kept in touch with Creation, and in 2023 when he was in a better place financially he looked to pay the balance off, but says Creation had inflated what he owed them. He requested a statement of how the balance had accrued, but says Creation kept quoting different figures to him. Mr K is also unhappy Creation have defaulted the account and marked it as such on his credit file which he says is illegal. And he thinks it's unfair Creation have since sold his account to a debt purchaser.

Creation said on 7 June 2023 Mr K's account was manually entered into their collection system. On the call of the same day, Mr K told them he couldn't pay what he owed, but will call on 12 June 2023 to pay. On that day, Mr K called and couldn't make payment as he was applying for a new job. An arrangement to clear the arrears was made on 20 June 2023, but the arrears weren't paid. A £50 compensation payment was used to reduce the arrears on 13 June 2023 following a complaint. But, during the rest of 2023, Creation said Mr K made multiple agreements which he didn't keep to. Because of this, a default notice was sent to on 31 December 2023, and the default was ultimately registered on 30 January 2024.

Creation said in early 2024, Mr K started asking for a breakdown of the arrears – and on 11 March 2024 he asked for statements which they sent him. As no payments were made to the account, Creation said they decided to transfer his account to a debt purchaser – which was within their right to do so. Overall, they didn't think they'd done anything wrong.

Unhappy with all of this, Mr K asked us to look into things. In his correspondence, he explained he thought he owed £93.15, but Creation said it was £278.05 or £566.10 (balance of £278.05 plus penalty fees of the same).

One of our Investigators considered things, and ultimately didn't uphold Mr K's complaint. He felt Creation had treated Mr K fairly.

Mr K disagreed, in summary he said:

- *There were no broken agreements – only conflicting sums mentioned when he tried to close his account.*
- *He asks how much he's paid so far, and how much he needs to pay to cover everything – and every time he asked Creation for this they never gave it to him*

- The only statements he ever received were his monthly statements, not the whole breakdown he wanted- he found them misleading and confusing, and said a statement produced 19 December 2024 had parts of it that were clearly fabricated
- He doesn't want the £50 compensation

Our Investigator asked Creation about the £50, but they said as the account has been sold on, they can't take the £50 back. Ultimately, as Mr K didn't accept our Investigators outcome, the complaint's been passed to me to decide.

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.

I think it's helpful to explain that, as a starting point, I'll be considering the terms and conditions of the agreement Mr K took out with Creation. If I think he's met the terms of the agreement, then I may uphold the case. If I don't think Mr K has met the terms of the agreement, then I may not uphold the complaint. I'll also consider, if I think Mr K hasn't met the terms of the agreement, whether I think it's fair for Creation to then take the action they have.

The agreement Mr K took out was a revolving credit facility. He could essentially buy items at a specific shop, and they'd be placed on an account. This account had a limit of £1,500, and an interest rate on purchases of 24.9%.

In this case, there are three issues to address – whether Creation have acted fairly in asking Mr K to pay what they've said he owes, the default, and the sale of the agreement to the debt purchaser.

Have Creation acted fairly in asking Mr K to repay the amount they've said?

The agreement Mr K signed says, amongst other things:

- Creation will send Mr K statements each month telling him what he needs to pay and by when
- Fees can be charged - £30 each time a payment is missed or a Direct Debit is cancelled or returned, default interest from the due date of the payment to the date of actual payment and any other charges they reasonably incur.

Creation have provided evidence to show the purchases Mr K made are:

- £429 on 26 June 2022
- £264.98 also on 26 June 2022
- £243.50 on 12 July 2022

This comes to £937.48 – a 50 pence difference from what Mr K said – seemingly due to him not including the 50 pence on the last transaction. I've verified from Mr K's statements the above purchase figures are correct. I'm satisfied the amount is close enough both parties agree on the amount owed for the purchases. So, the starting balance is correct.

I've next looked at Mr K's stated payments to Creation, but used the dates Creation have on their systems as payments received (I've included returned payments to give a complete history):

- 26 July 2022 - £65.09 payment (returned) – actual payment £0
- 4 August 2022 - £65.09 payment (returned) – actual payment £0

- 22 August 2022 - £65.09 payment (not returned) – actual payment £65.09
- 22 August 2022 - £40.24 payment (not returned) – actual payment £40.24
- 8 September 2022 - £60 payment (not returned) – actual payment £60
- 11 December 2022 - £227.44 payment (not returned) – actual payment £227.44
- 11 December 2022 - £3.60 payment (not returned) – actual payment £3.60
- 27 January 2023 - £10 payment (not returned) – actual payment £10
- 10 February 2023 - £176.54 payment (not returned) – actual payment £176.54
- 10 February 2023 - £2.65 payment (not returned) – actual payment £2.65
- 17 March 2023 – £90.61 payment (not returned) – actual payment £90.61
- 17 March 2023 - £1.69 payment (not returned) – actual payment £1.69
- 8 April 2023 - £90.61 payment (returned) – actual payment £90.61
- 26 May 2023 - £91.54 payment (not returned) – actual payment £91.54

I'm aware Mr K has talked about Creation using different payment dates from what show in his bank account statements. While Mr K has never shown us these, the reason for the difference is likely because when he makes a payment over the phone or online it'll take a bit of time to be transferred from his bank to Creation – so, it's quite common for there to be a difference of a few days between making the payment and it showing on the account.

Adding up Mr K's successful payments, they come to £903.57 worth of payments to the account – this figure increases to £953.57 once you add the £50 Creation credited to it. Mr K has included a payment of £230.64 he says was made on 10 November 2022 – but this isn't showing anywhere on Creation's systems. So, overall I'm satisfied this figure is likely correct. If Mr K wants to provide additional information, such as his bank statement to prove he made the payment of £230.64, then I'd be happy to consider it. I'd need to be satisfied the payment was made to Creation, for this account, when he said, and wasn't returned at any point later on.

The next issue to look at, is what's been added to the balance. In brief, there have been three £30 charges, and interest applied to the balance.

Looking at the three £30 charges these were applied on:

- 12 September 2022 – refunded on 4 October 2022
- 28 November 2022 – applied due to sending out a letter
- 11 January 2023 – applied due to sending out a letter

And an amount for interest which is set out on every statement where it applies. Mr K's calculations don't allow for charges or interest to be applied – and as I've mentioned above he's talked about a payment which I can't find a trace of. I've seen nothing to suggest the two £30 charges are wrong, nor that the interest has been calculated incorrectly.

Taking all of this into account, I think Creation have acted fairly and I've found no reason why Mr K would owe the lesser amount he says. Creation have applied fees and interest, and one payment he says was made seemingly hasn't been.

So, at face value, I'd say Creation have treated Mr K fairly. But, I am aware Creation defaulted Mr K's account from 30 January 2024. Despite this, there are interest charges showing as being applied after that date.

The charges were applied on:

- 8 February 2024 - £5.01

- 8 March 2024 - £5.11
- 8 April 2024 - £5.20

Generally, interest charges shouldn't be applied once an account has been defaulted. Because of that, I think Creation should refund Mr K any interest applied to the account from the date the account was defaulted – 30 January 2024.

Mr K should be aware this calculation, if Creation do it fully, will mean he gets the March and April payments back in full. But the February 2024 interest calculation will have included a period up to 29 January 2024 where it was fair for Creation to charge interest. Alternatively, if Creation would prefer, they can simply refund all three interest charges at £15.32 – as I appreciate working out what proportion of interest Mr K is due is likely to be time consuming. Generally I'd require Creation to apply this refund to the account balance – as it's interest he's not paid. But Creation have told us they can't adjust the balance, so I'll require them to pay this direct to Mr K instead.

Outside of the default interest issue I've mentioned above, I've found nothing to suggest Creation have made errors in the amount they say Mr K owes. With that in mind, I can't reasonably require them to reduce the balance.

Have Creation fairly applied the default

The terms of Mr K's account require him to make payments when the statements say he needs to. The terms don't allow Mr K to not make payments even if he disputes the balance. So, although I understand Mr K genuinely believed he was right in saying the balance was wrong, he still needed to make his minimum payments. The terms of his agreement say if he doesn't do this, then Creation may report information to the credit reference agencies.

As listed above, Mr K's last payment was 26 May 2023.

Mr K's June statement said he was in arrears by £42.60 and the payment needed to be made immediately. Each subsequent statement sent to Mr K, including the January 2024 one, says the same thing about him being in arrears.

I'm aware Mr K has said he wasn't receiving the statements and had difficulties accessing them – but that doesn't mean the payment isn't due – especially given I've found Creation have done nothing wrong in asking him to repay what they have. Mr K also told Creation at one point he could see statements, but he found them confusing.

In response to our Investigators outcome, Mr K has said he never received a full summary of the payments he'd made versus what he owed. But, I don't think this was a requirement for Creation to have sent to Mr K for him to make his payments. He was receiving monthly statements which, in my opinion, are clear about what he needs to pay and by when.

I can also see Creation tried to help Mr K, by setting up multiple payment arrangements and writing out to him to confirm those. But, as Mr K didn't make the payments he needed to as part of the agreement, they lapsed.

Creation also sent Mr K letters confirming how to avoid the default – and as no payment was made, the account was defaulted on 30 January 2024.

In all of the circumstances I've described above, I can't reasonably say Creation have done anything wrong. Each month they told Mr K what he owed. I understand there may have been some confusion when he was asking on the phone what he owed – but this was always set out in his statements in a clear way. So, I can't see that Creation's actions have

led to any non-payment – as such I'm satisfied Creation have treated Mr K fairly, and don't require them to remove the default.

The sale of the agreement to the debt purchaser

The terms of Mr K's account allow them to transfer the rights and ownership of the account to another party.

Mr K says Creation shouldn't have done this while the balance was in dispute and a complaint was registered with our service.

While I understand Mr K strongly disagrees with this, Creation are allowed to sell on the account. Given I've found they've not done anything wrong in terms of telling Mr K what the outstanding balance is, and reporting a default to the credit reference agencies, I can't say they've acted unfairly by selling his account.

Summary

While I understand Mr K is going to feel very disappointed with the outcome I've reached, I'm satisfied for all the reasons I've mentioned above it's a fair outcome.

In summary, I'm currently planning to require Creation to refund interest charged to Mr K from 30 January 2024. Creation can complete a calculation to identify this figure specifically, or simply refund £15.32 which covers all of the interest charged after the account was defaulted and a bit more.

Otherwise, I've not found enough evidence to suggest Mr K's calculations are accurate in terms of the outstanding balance, that the default has been applied incorrectly or that Creation shouldn't have sold on his account.

Responses to my provisional decision

Creation replied, confirmed they accepted my provisional decision, and would pay Mr K £15.32 of interest – which covers the amount of interest that shouldn't have been charged, plus a bit more.

Mr K didn't accept the outcome I'd reached. In summary he said:

- The payment he was referring to is the payment of £227.44 made on 11 December 2022 – Mr K says this wasn't referred to in a payment breakdown Creation gave him in 2024.
- Creation is making spurious and false claims of multiple failed payments. Mr K says we need to retrieve calls from his mobile network or review all the dates he called Creation as set out in his letters.
- Mr K rejected the £50 award by Creation the same day, and similarly isn't interested in the £15 I've recommended. Mr K says the interest Creation have applied to his account should be cancelled, as he's read through Creation's terms and can't find any justification for them.
- He clarified he never found Creation's statements confusing, but they were clearly misleading. Especially the most recent 52 page document which doesn't explain how he owes £283.
- My outcome doesn't explain how he owes £283 – if Creation give him a clear and simple explanation of how he owes this money then he'll pay it.
- Finally, he asks that Creation is sanctioned for defaulting his account without first telling him the sum he owes.

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.

I'll address each of Mr K's points in turn.

The payment of £227.44 is included on the statement dated 8 January 2023 which was sent to Mr K. I can't immediately track the payment breakdown Mr K has referred to – so I've thought about what I'd decide if I saw it, and it didn't include this payment as he's suggested. In the circumstances, I'd decide Mr K still had access to the correct information – because the payment was included on the statements he'd been sent. So, if Mr K had legitimate concerns the payment wasn't included on a breakdown, I think it'd have been a reasonable step to double check the statements he'd previously received to confirm if the payment showed there. So, I don't think, even if Creation didn't include this payment, I'd uphold this element of his complaint.

Mr K has said Creation has raised false claims of missed payments – but we've previously asked Mr K to show us his statements to prove this and he's chosen not to. In the circumstances the phone calls Mr K has had with Creation won't satisfy me that Creation are lying as Mr K says. I'd need to see his statements showing this – which we've previously told Mr K. As at the date of this decision, Mr K hasn't provided that evidence, so I've decided it with what I have on file. Creation's internal systems show missed payments and I've no evidence to directly dispute that.

I understand Mr K says he's not interested in the £50 Creation awarded him – nor the £15.32 I've awarded in his decision. This is fine, he doesn't have to accept my decision – which means he won't be paid the £15.32. For the £50, this has come off the outstanding balance, and there isn't anything I plan to order Creation to do on this point – so the £50 will remain credited to Mr K's account. And in relation to the interest being charged, I've seen nothing to suggest this wasn't done in line with the terms and conditions of the account. Mr K says he can't find any justification for them. It's not entirely clear what Mr K means, but this is an interest bearing account and I think it like Mr K was aware of this when he took it out. It is also part of the terms he signed up to when he took out the agreement – so I'm satisfied he owes the interest.

In relation to the outstanding amount of £283 I'm satisfied it is clear – Mr K's purchases attracted interest which were charged because he borrowed money. Mr K is required under the terms of the account to pay the interest. I realise Mr K disputes that, but I don't agree with his concerns here. So, although Mr K doesn't believe it's been explained to him how he owes £283, I'm satisfied it's been sufficiently explained with reference to the interest that he owes that money. The 52 pages worth of statements he recently received also show how the balance accrued. It seems the key difference of opinion here is Mr K's opinion he isn't required to pay the interest that accrues on his purchases which – for the reasons I've already covered – I'm satisfied he does have to pay.

In view of all of the above, I won't be sanctioning Creation for reporting incorrect information to Mr K's credit file. From everything I can see, Mr K legitimately owes £283, has refused to pay it without a justifiable reason I can see, so Creation took the steps I'd expect them to take by defaulting the account after giving him fair warning.

Despite Mr K's thoughts on the £15.32 interest I've said Creation should refund, I'm still required to reach what I consider to be a fair and reasonable outcome. My outcome remains Creation should pay this amount to him because they continued to charge default interest when they shouldn't have.

My final decision

I partially uphold this complaint and require Creation Consumer Finance Ltd to refund Mr K the amount of £15.32 which covers the amount of interest that shouldn't have been charged plus a bit more.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 18 April 2025.

Jon Pearce
Ombudsman