

The complaint

Mr I complains that Creation Consumer Finance Ltd defaulted his account after he'd repaid the balance.

What happened

Mr I says he called Creation to pay off the account and close it. He says he paid the amount specified, but the following day he was notified about a missed payment which was then recorded on his credit file. Mr I says Creation told him that the advisor on the call should have told him a direct debit was due within two days.

Creation says Mr I's direct debit for November 2023 was returned as unpaid and an arrears letter was sent to him. It says Mr I called on 5 December 2023 and paid his arrears and most of the remaining balance. However, Creation says that December's direct debit was also returned, another arrears letter was sent, and a £30 late fee was applied. It says a default notice was then sent on 22 February 2024, a default was subsequently applied, and the account was transferred to a debt collection agency (DCA) on 26 April 2024.

Our investigator recommended the complaint should be upheld. She found that Mr I had been given misleading information in the call and did not receive correspondence about the outstanding debt due to moving house. She said it would be fair for Creation to remove the default as settlement of the complaint.

Creation responded to say, in summary, that it could not have known that the direct debit would fail in December, and it issued several letters notifying Mr I of the outstanding debt.

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 have listened to the call Mr I had with Creation on 5 December 2023, and he says he wants to clear the account with the payment he makes. Mr I also adds that he doesn't want anything to affect his credit history. Once the advisor has taken the payment, he says he will also take off the additional small interest charge and that Mr I won't need to pay anything else going forwards.

The following day December's direct debit is returned, but even though Mr I hasn't been able to provide his bank statements for the month, I don't consider it would be unreasonable for him to believe that it was returned due to the payment he'd already made. I say that because the advisor makes no mention of the direct debit on the call and Mr I was assured that the account would close as soon as the payment cleared.

I also find it more likely than not that Mr I would have made the additional payment of £347 if he realised it was outstanding because:

- It was a small proportion of the £3,927 he'd paid to close the account;
- He was clear on the call that he didn't want his credit file to be adversely affected.

I accept that Creation sent him both texts and letters about the outstanding debt, but I've seen evidence to show Mr I had moved house and he said he did not receive the letters. As Mr I believed his Creation account was closed, he would have had no reason to inform it of his new address.

Equally, although Mr I acknowledges that he received text messages, he says he assumed it was because his account had not been updated and that they were computer generated. As the advisor told Mr I during the call that it may continue to contact him because the account had been in arrears, I don't find it unreasonable that Mr I ignored these messages.

In summary, I'm satisfied that, if Mr I had been given the correct information during the call, he would have ensured the correct amount was paid in order to close the account, as he believed he had done at the time.

My final decision

My decision is that I uphold this complaint. Creation Consumer Finance Ltd should remove the default, and associated adverse information, from Mr I's account and ensure the debt collection agency does the same.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr I to accept or reject my decision before 31 July 2025.

Amanda Williams
Ombudsman