

## The complaint

Mr R complains that Creation Consumer Finance Limited has reported adverse information to the credit reference agencies about a hire purchase agreement that he voluntarily terminated.

## What happened

A used car was supplied to Mr R under a hire purchase agreement with Creation Consumer Finance that was dated in October 2021. The price of the car was £19,699 and the total amount payable under the agreement was £24,583.60. Mr R says that he voluntarily terminated the agreement in November 2023 and the car was collected from him by a third party on behalf of Creation Consumer Finance.

Mr R says that he made a mortgage application in May 2024 but it was rejected due to an outstanding finance agreement so he contacted Creation Consumer Finance and was told that he owed it £2,177.80 and the agreement hadn't been terminated. Mr R complained to Creation Consumer Finance but it said that Mr R's payments didn't yet qualify for the voluntary termination option so the difference between the payments made by him up to November 2023 and the voluntary termination threshold remained payable. Mr R wasn't satisfied with its response so he complained to this service.

His complaint was looked at by one of this service's investigators who, having considered everything, didn't think that Creation Consumer Finance had acted fairly. She didn't think that it had made any reasonable attempts to contact Mr R to inform him of his outstanding balance or to discuss an affordable repayment arrangement. She said that she hadn't seen any information to suggest that the outstanding balance of £2,177.80 was incorrect so she was unable to ask Creation Consumer Finance to clear that balance; but she recommended that it should pay Mr R £100 for any impact or inconvenience caused by the delay in informing him of the outstanding balance and the impact to his credit file and remove any adverse information from his credit file.

Creation Consumer Finance says that it agrees with the investigator's recommendation but won't be able to amend Mr R's credit file until the arrears of £2,177.80 have been paid. Mr R says that he's still very unclear as to where he stands with Creation Consumer Finance so would like an ombudsman to finally clarify his position.

## 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.

The total amount payable under the hire purchase agreement was £24,583.60 and the agreement says:

*"You have a right to end this agreement. To do so, you should write to the person you make your payments to. They will then be entitled to the return of the goods and to half the total amount payable under the agreement, that is £12,291.80".*

Mr R asked to end the agreement in November 2023 and the third party acting on behalf of Creation Consumer Finance sent an e-mail to him which said:

*“Please be advised we have received your confirmation to voluntarily terminate the agreement and have actioned the account accordingly. Please be advised, our agents will be in contact with yourself shortly in order to confirm a suitable date and time for collection. Once the vehicle has been collected and assessed and the final liability figure has been calculated, we shall be in contact to set up an affordable payment arrangement in light of your circumstances”.*

The car was then collected from Mr R but he received no further communication from Creation Consumer Finance or the third party until he contacted Creation Consumer Finance in about May 2024. Creation Consumer Finance says that the outstanding balance that Mr R owed it in November 2023 was £14,159.60 so he'd paid it less than the £12,291.80 that he was required to pay to end the agreement. I've seen no evidence to show that Mr R had paid at least £12,291.80 to Creation Consumer Finance so the difference between the amount that he'd paid it and £12,291.80 remained due to Creation Consumer Finance.

I consider that Creation Consumer Finance should have written to Mr R about the outstanding balance of his account and he would then have been able to decide whether to pay that amount to it or to ask it for a repayment arrangement. Its failure to do so, and the adverse information that it has reported to the credit reference agencies, has caused distress and inconvenience for Mr R and I agree with the investigator that it would be fair and reasonable for Creation Consumer Finance to pay him £100 to compensate him for that distress and inconvenience.

Creation Consumer Finance should have written to Mr R in November 2023 and, if it had done so, I consider that it would be reasonable to expect that Mr R would have paid the outstanding amount before now. Creation Consumer Finance has reported adverse information about the hire purchase agreement to the credit reference agencies but I don't consider that the information that it's recorded to be a true and accurate record of what has happened. The investigator recommended that Creation Consumer Finance should remove any adverse information from Mr R's credit file but Creation Consumer Finance says that it isn't able to amend Mr R's credit file until the arrears of £2,177.80 have been paid.

I also agree with the investigator that it would be fair and reasonable for Creation Consumer Finance to ensure that any adverse information that it's reported to the credit reference agencies about the hire purchase agreement is removed from Mr R's credit file. The issue that Creation Consumer Finance has raised in response to the investigator's recommendation seems to be a systems issue and I don't consider that to be a valid reason for it not being able to ensure that the adverse information is removed from Mr R's credit file. I would expect Creation Consumer Finance to be able to ensure that the adverse information is removed from Mr R's credit file before the payment is made.

### **Putting things right**

I'm not persuaded that there's enough evidence to show that Mr R has paid to Creation Consumer Finance at least the amount of £12,291.80 that's required to end the agreement so I find that it's fair and reasonable for Creation Consumer Finance to require Mr R to pay to it the difference between the total amount that he's paid to it and £12,291.80. If Mr R is unable to, or chooses not to, pay that amount in one payment, I consider that it would be fair and reasonable for Creation Consumer Finance to agree an affordable repayment arrangement with Mr R for the amount that he owes it.

These events have caused distress and inconvenience for Mr R and I find that it would be

fair and reasonable for Creation Consumer Finance to pay him £100 to compensate him for that distress and inconvenience.

I find that it would also be fair and reasonable for Creation Consumer Finance to ensure that any adverse information that it's reported to the credit reference agencies about the hire purchase agreement is removed from Mr R's credit file.

### **My final decision**

My decision is that I uphold Mr R's complaint and I order Creation Consumer Finance Limited to:

1. Pay £100 to Mr R to compensate him for the distress and inconvenience that he's been caused.
2. Ensure that any adverse information that it's reported to the credit reference agencies about the hire purchase agreement is removed from Mr R's credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 4 June 2025.

Jarrold Hastings

**Ombudsman**