

The complaint

With the help of a professional representative (PR), Mr H complains that Creation Consumer Finance Ltd lent to him irresponsibly. For ease, I'll refer to the PR's actions as being those of Mr H.

What happened

On 15 September 2020, Mr H applied for – and was given - a running account credit facility with Creation. He was given a limit of £2,000 with which he could make purchases from a particular retailer.

On 27 October 2024, Mr H complained to Creation. He said it had failed to carry out appropriate creditworthiness checks before entering into the agreement. He said at the time his credit file showed he had had four loans, exceeded his credit limits on 5 occasions, had a late payment and taken a high cost loan all within six months of his application. He said his non-mortgage borrowing totalled £21,875 and he was using 61% of his available credit. He said it had been irresponsible of Creation to lend to him.

To resolve his complaint Mr H asked Creation to refund charges and interest he'd paid along with 8% simple interest on that sum, and remove any adverse information it had registered about this agreement from his credit file.

Creation looked into Mr H's complaint. It said in his application, Mr H had declared he earned £40,000 per year and had passed its' credit and affordability checks. It said its checks would have revealed any adverse credit information such as late payments, defaults or County Court Judgements (CCJ). Creation said Mr H had accepted the offer of credit, so it was reasonable to conclude that he believed it was appropriate for him at the time. It felt it had carried out reasonable checks and didn't uphold Mr H's complaint.

Mr H didn't accept Creation's response, so he referred his complaint to our service. One of our investigators looked into it. He went into more detail about the checks Creation had carried out and felt they were reasonable and proportionate. He felt Creation had reached a fair decision to lend to Mr H and didn't uphold the complaint.

Mr H didn't agree with our investigator so, as there was no agreement, the complaint has been passed to me for a decision.

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.

We've set out our approach to complaints about unaffordable and irresponsible lending on our website – including the key relevant rules, guidance, good industry practice and law. I've considered this approach when deciding this complaint.

Creation needed to carry out reasonable and proportionate checks to ensure that it didn't

lend to Mr H irresponsibly. I think there are key questions I need to consider in order to decide what is fair and reasonable in the circumstances of this complaint:

- Did Creation carry out reasonable and proportionate checks to satisfy itself that Mr H was in a position to sustainably repay the credit?
 - If not, what would reasonable and proportionate checks have shown at the time?
- Did Creation make a fair lending decision?
- Did Creation act unfairly or unreasonably towards Mr H in some other way?

Creation had to carry out reasonable and proportionate checks to satisfy itself that Mr H would be able to repay the credit sustainably. It's not about it assessing the likelihood of it being repaid, but it had to consider the impact of the repayments on him. There is no set list of checks that it had to do, but it could take into account several different things such as the amount and length of the loan, the amount of the monthly repayments and the overall circumstances of the borrower.

When he applied for the credit, Mr H said he was employed with an income of £40,000 per year which it calculated to be £2,570 per month. He was married, owned his home and had no dependants. When Creation checked his credit file, it saw he had unsecured loan repayments of £539, and revolving credit (such as credit cards) of £5,500 which required minimum repayments of £166 each month. While he had had arrears in the last year, his credit was all up to date at the time.

Creation calculated payments to this new agreement as being £79.23, so worked out Mr H's total credit repayments were £785 or so. This left Mr H with a disposable income of £1,785 from which to meet his living expenses and bills. It felt the credit was affordable for Mr H on that basis.

In his complaint, Mr H highlighted that he'd taken four loans within six months of this application. I can see he had taken several loans since January 2020 (up to nine months before his application). But the credit report doesn't show any starting balance for them, and they were repaid immediately. I don't think these would have given Creation any concerns and all his other credit was up to date.

I don't see anything in the information Creation gathered which ought to have led it to think Mr H might not be able to meet the repayments, or to make it think it ought to take a closer look at his circumstances. I think the checks Creation carried out were reasonable and proportionate. I think it reached a fair decision to lend to him.

Did Creation act unfairly or unreasonably towards Mr H in some other way?

Other than this complaint, I've seen nothing which suggests Mr H contacted Creation with any concerns about meeting the repayments due. I can see from the credit file he provided dated 14 September 2023, that he kept up to date with payments and repaid the balance in full by July 2022. At the time the report was created, he hadn't used the facility again.

For the reasons I've already given, I don't think Creation lent irresponsibly to Mr H or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 12 September 2025.

Richard Hale
Ombudsman