

The complaint

Mr C has complained about the way Creation Consumer Finance Limited administered a credit agreement he'd taken out to buy goods.

What happened

The circumstances of the complaint are well known to the parties so I won't go over everything again in detail. But, to summarise, Mr C had a credit agreement with Creation that he'd taken out to buy goods worth around £1,200. He is unhappy with the way Creation sought payment from him after he fell into financial difficulties. He said it didn't take the agreed payments which led to adverse information being recorded on his credit file. He said Creation refused to take payment when it had passed the debt on to another company. Mr C said this has been going on for a while and has had a negative impact on his business.

Creation responded to say the agreement began to reflect arrears in October 2022 because a direct debit failed. It said it understood from contact with Mr C that he was experiencing financial difficulties, and an arrangement was set up between February and April 2023. It said the arrangement broke in February because it didn't receive payment, so a new arrangement was set up between March and September 2023.

Creation said it contacted Mr C in November 2023 to set up another arrangement with the direct debit and further manual payment to be made until May 2024, but it said this broke on 8 December 2023 because manual payment wasn't received. Creation said it wrote to Mr C from December to February 2024 confirming the arrangement was broken and that collection activity would continue – including a default notice on 15 December 2023. Creation said it transferred the debt to another company in February 2024.

Overall Creation didn't uphold the complaint. It said it had tried to support Mr C and had acted in line with the credit agreement. Mr C referred the complaint to the Financial Ombudsman.

Our investigator didn't think Creation had acted unfairly so didn't make any recommendations. Mr C didn't agree. I issued a provisional decision that said:

I want to acknowledge that whilst I've summarised the events of the complaint, I've reviewed everything on file. If I don't comment on something, it's not because I haven't thought about it. I'm focussing on what I consider are the key issues.

Creation sought money from Mr C under a regulated credit agreement and our service is able to consider complaint relating to these sorts of agreements.

Mr C entered into the agreement in October 2020 and it was due to finish in October 2023. Payments were around £50 a month. Payments were received as expected for the first two years, but it seems Mr C entered difficulties making payment from October 2022. Creation supported Mr C with payment arrangements from then for about a year. The debt was reducing so I think that seemed like a fair outcome. But the final payment I can see that was made was on 1 November 2023. So I've focussed on what happened next.

It's not in dispute payments were missed towards the agreement and arrangements to pay were set up. The relevant guidance broadly says that defaults can generally occur when the customer is three months in arrears, and normally by the time they are six months in arrears.

It's also not in dispute that the terms of the agreement Mr C entered into said that missing payments could lead to further charges and that Creation could report non-payment to the credit reference agencies; issue legal proceedings or transfer the debt.

By the time Mr C started missing payments from December 2023 the agreement should already have ended and he owed over £250. So he was more than three payments behind by that point. Creation had also written to Mr C about the debt, and the implications of him not paying. So, on the face of it, Creation may have been able to record a default around that time. But I noticed it looks like the direct debit may not have been set up again for payments from December 2023.

I decided to write to Creation to point out it wasn't clear why (it seemed) a direct debit wasn't simply reinstated for those final 5 months. All the previous payments Mr C had made were through direct debit. He was paying nearly the contractual payment and it seemed to be working for him quite well and reducing the debt at a reasonable rate. I wanted to find out why he couldn't have carried on with that sort of arrangement. Or to find out if a direct debit had been set up but it failed. The statement I've seen doesn't show any direct debit attempts from December 2023 so, on balance, I think there's a good chance one wasn't set up. But I think it should have been.

I also noted the contact notes indicated the payment plan from December 2023 was set up for around £108 for 5 months (5X = £540). The debt at that time was only around £270. Even with interest (of around £5 per month reducing) the arrangement seemed far too high. I wanted to find out why that was.

Creation had previously told us the relevant phone calls aren't available, and the notes are quite sparse, so I couldn't tell if Mr C was adequately informed of what was due to happen off the back of the plan set up in November 2023. I also explained I couldn't open the link to some of the letters Creation said were sent to Mr C.

I said if Creation agreed a mistake was made and that a direct debit could've simply continued or a new one been set up from December 2023, or if it agreed the payment amount that was set up looked incorrect, as a way to resolve the complaint I asked if it would be willing to bring the debt back and remove the charges and adverse information from the credit file from December 2023 once Mr C clears the arrears. I thought that it might be a fair way for all the parties to resolve the complaint based on what I've seen. I couldn't see why Mr C would have run the risk of the account defaulting for under £300 when he seemed like he was managing to pay around £50 a month by direct debit. I agreed he should have responded to the letters, but I didn't think he wasn't willing to pay. And I noticed he'd previously said to Creation he wasn't receiving post. I think it was probably a mistake he didn't notice the direct debit wasn't continuing as it had before and when he did notice it was too late.

I didn't hear back from Creation and so for the reasons given above, I'm going to propose Creation bring the debt back from the third party and remove the charges from December 2023. It should also remove adverse information from the credit file from December 2023 once Mr C clears the arrears. It should come to an arrangement with Mr C to pay the outstanding balance.

I should point out that this is only a provisional decision. If Creation doesn't agree or provides further information I'll need to consider it before deciding whether I can issue a final

decision. If the direct debit was set up for Mr C and it was returned unpaid when (the correct) payments were requested there'd likely not be grounds to uphold the complaint.

Creation responded to say Mr C's account had been for two purchases. One with a contractual end date of 1 March 2023 and one in November 2023. It said as these dates had passed and the last direct debit was taken on 1 November 2023 it wasn't able to reset a new direct debit for an arrangement that should have ended. So Mr C would have needed to make manual payments or set up a standing order after November 2023. It didn't think it had made an error relating to the direct debit.

Mr C accepted the provisional decision but was concerned if Creation couldn't bring the debt back.

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'd like to thank the parties for their responses. Creation has explained that it was unable to set up a direct debit after the original expected end date of the later contract. However, I've still not received sufficient information showing Mr C was given clear, fair and not misleading information in order for him to be able to set up the new arrangement. The evidence is incomplete. Moreover, I've also not been told why the payment arrangement figures didn't match up to what Mr C owed.

Knowing what happened isn't clear. But, on balance, I think it likely there was a mistake with the payment arrangement amounts set up. I don't think Mr C would have risked a default over a relatively small sum when he was previously making a regular payment that was reducing the debt at a reasonable rate. Had that sort of arrangement carried on I don't think the account would have defaulted and been sold on. I think it should have been made easier for Mr C to have carried on making payment. I'd like to have seen Creation were clear in what steps Mr C needed to take, given all his previous payments were made by direct debit. I'm mindful Creation's final response letter also said a direct debit was due to resume (from December 2023) along with manual payments, which I think supports there was some confusion in what happened, or in the information Creation gave to Mr C.

We've seen in other cases with Creation that it can bring debts back from third parties. It also hasn't responded to say that isn't possible. For the main reasons I've already given, I think that's the fairest thing to do. In all the circumstances, I'm not going to depart from the conclusions I reached in my provisional decision.

Putting things right

Creation should bring the debt back from the third party and remove any charges from December 2023. It should also remove adverse information from the credit file from December 2023 once Mr C clears the arrears.

My final decision

My final decision is that I uphold this complaint and direct Creation Consumer Finance Limited to put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 14 July 2025.

Simon Wingfield

Ombudsman