

The complaint

Mr W complains Creation Consumer Finance Ltd (Creation) irresponsibly lent to him because it didn't carry out reasonable and proportionate checks to ensure the lending was affordable for him.

What happened

Mr W entered into a credit agreement with Creation in November 2020 in order to purchase a product from a retailer. This was a type of running account credit to pay for goods and services. It was a flexible credit facility which provided an approved credit limit of £5,000 for purchases. For example, an initial purchase was for a product with a cash price of £1,062.97 which was to be repaid by 24 monthly repayments of £61.88. The credit limit would enable Mr W to make further purchases.

Mr W is represented in his complaint but for ease of reading I'll simply refer to Mr W throughout this decision. Mr W complained to Creation on 27 October 2024. He said Creation failed to conduct proportionate checks and should have done more prior to providing the additional finance. Mr W said his overall contractual debt at the time of the borrowing excluding his mortgage was £6,922 and he had one credit card which he had exceeded the limit on. Additionally, he made minimum payments on 25 occasions in the 12 months prior to the agreement.

Creation responded to the complaint on 27 November 2024. It said Mr W disclosed his income and passed its affordability checks. Therefore, it said it had reasonably offered credit to Mr W.

Mr W remained unhappy and asked our service to investigate. Our Investigator looked into things and explained why she felt Creation had not irresponsibly lent to Mr W. Mr W didn't agree. In summary, he said:

- Our Investigator clearly acknowledged that Creation did not carry out proportionate checks. This is not a minor oversight but a fundamental failure under the Financial Conduct Authority's Sourcebook – CONC. It is unacceptable that such a significant decision was made without access to Mr W's credit file, verification of income and meaningful review of regular monthly expenditure.
- The failure to uphold this complaint despite recognising the checks weren't reasonable gives the strong impression of bias against him and undermines the confidence of the Ombudsman service.
- The updated credit file shows multiple indicators that suggest Mr W was already in financial difficulty or, at the very least, exhibiting behaviour that should have triggered deeper affordability assessments. This included total non-mortgage debt of £6,922. Also, his credit limit was exceeded 8 times within a three-month period and exceeding the limit this many times in such a short period is a strong indicator of financial stress and dependency.
- Lenders are required to carry out proportionate checks to ensure the lending is

sustainable and affordable, and to consider the borrower's overall financial circumstances (CONC 5.2A and 5.3). The adverse information ought to have given rise to affordability concerns and Creation should not have extended the credit.

Mr W also provided additional evidence in respect of bank statements and confirmation of income payments from his employer.

As Mr W didn't agree with our Investigator's findings, the complaint has 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.

Our approach to complaints about irresponsible lending is set out on our website. There are key questions I need to consider in order to decide what's fair and reasonable:

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

Creation had to carry out reasonable and proportionate checks to satisfy itself that Mr W would be able to repay the credit sustainably. It's not about Creation assessing the likelihood of being repaid, but it had to consider the impacts of the repayment 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 credit, the amount of the monthly repayments and the overall circumstances of the borrower.

Did Creation carry out reasonable and proportionate checks to satisfy itself that Mr W was in a position to sustainably repay the credit?

The credit account Mr W was being provided had a credit limit of £5,000. As it was a revolving credit facility, Creation was required to understand whether Mr W could repay the £5,000 within a reasonable period of time. Creation said Mr W disclosed his available income as £64,000 and that he was in full time employment. It calculated Mr W would have a net monthly income of £3,813.33. Also, that Mr W was a homeowner and married with two dependents.

Creation said it completed a credit search which showed monthly repayments towards revolving credit as being £119, a monthly payment of £782 towards a secured loan (mortgage) and no unsecured loans. It calculated total payments towards credit as being £1,114.96 per month and this included the new instalment of £214 should the full credit limit being offered have been utilised. It also showed he was only utilising around 35% of his available credit at the time and Creation calculated his overall debt to income as 29.24%. Creation calculated Mr W's remaining income to be £2,698 each month.

However, Creation hasn't provided information to support the summary it has provided to us. For example, it hasn't provided us with a copy of the credit search it completed. As I've been unable to review further information to support its submission, I can't say the checks it

carried out were reasonable and proportionate as I can't be sure whether it had information which ought to have prompted more thorough checks. Additionally, I'm not aware Creation sought to verify Mr W's income or whether it asked about his specific expenditure. I've also thought about the other circumstances including the amount of credit being provided here.

Would reasonable and proportionate checks have shown Mr W was in a position to sustainably repay the credit?

Although I'm unable to conclude from the evidence I've seen that the checks were reasonable and proportionate, this doesn't automatically mean the complaint should be upheld. I need to think about what such checks were likely to have shown at the time of the lending. To do this, I've considered the credit file and bank statements which Mr W has provided and which cover the period leading up to the lending. In the circumstances of this complaint, I don't necessarily think Creation needed to go as far as to obtain bank statements, but the information does give a good indication of what was likely to have been discovered at the time.

Having reviewed a copy of the bank statements and information Mr W has provided about his income and expenditure at the time, I'm not satisfied there is anything which clearly demonstrates proportionate checks were likely to have discovered Mr W couldn't afford the credit. From what I can see of his income and committed expenditure at the time, it seems he'd be able to make reasonable monthly repayments which would enable him to clear the total available credit limit on this account within a reasonable period. I've thought about what was likely to have been discovered as committed expenditure through proportionate checks.

Mr W also made transfers out of his account into a joint account and to his partner. He has explained this was for contributions towards the household and dependent expenditure. I have no doubt he was contributing to this, and I've taken the contributions into consideration. However, based on what I've seen, I don't think it's likely this was all for non-discretionary expenditure. I say this because the payment amounts varied in size and frequency across the months. Overall, I think it's more likely than not that appropriate checks would have discovered Mr W had sufficient income remaining after meeting his existing committed expenditure to sustainably afford the new credit being provided.

I have also considered the information I have about how Mr W was managing his finances at the time. I have noted the response to the view and what has been said about Mr W's credit balances and the payments he had been making (as well as other indicators). However, I don't agree checks were likely to have shown Mr W wasn't managing the commitments he had at the time and that Creation shouldn't have lent. From his credit file, he didn't seem overindebted, his payment history was up to date, and he wasn't utilising a high amount of his available credit. Taking everything into account, I don't think appropriate checks were likely to have shown the lending was unsustainable or unaffordable.

Overall, I'm satisfied reasonable and proportionate checks were likely to have shown this agreement was affordable and sustainable for Mr W. This is because I'm satisfied they were likely to have shown he had sufficient income to meet his commitments and to sustainably afford to repay the credit limit being offered here. Therefore, I won't be asking Creation to do anything to resolve this complaint.

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

Taking into consideration the information I have about this complaint and the concerns which have been raised, I haven't seen anything which would lead me to conclude Creation treated Mr W unfairly or unreasonably in some other way.

I've also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Oodle lent to Mr W irresponsibly or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest Section 140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

For the reasons outlined above, I'm not upholding this complaint.

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

Laura Dean
Ombudsman