

The complaint

Miss S complains that Creation Consumer Finance Ltd gave her a credit facility she couldn't afford to repay.

What happened

In January 2021 Creation gave Miss S a buy now pay later credit facility. The limit given was £1,500. When Miss S made a purchase the repayment became a "plan" and Miss S had a 24 month period to repay it. Miss S made an initial purchase of £469, and together with interest she needed to repay £586.32.

Together with her representative, Miss S has said the facility was unaffordable for her and that Creation failed to complete proportionate checks before agreeing to lend.

Creation considered Miss S' complaint but didn't agree. It felt it completed proportionate checks before agreeing to lend and as a result of this, it was reasonable to lend. Miss S disagreed and referred her complaint to our service.

One of our investigators considered the complaint and didn't uphold it. They thought that although Creation hadn't completed proportionate checks, if it had done this, it would still have been reasonable to lend. Miss S disagreed and so the complaint has been passed to me to consider.

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've read everything that the parties have said, but I'll concentrate my comments on what I think is relevant. If I don't comment on a specific point it's not because I've failed to consider it, but because I don't think I need to comment in order to reach a fair and reasonable outcome. And our rules allow me to do this. This reflects the nature of our service as a free and informal alternative to the courts.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. I have used this approach to help me decide Miss S' complaint.

Creation needed to make sure it lent responsibly to Miss S. It therefore needed to complete sufficient checks to determine if Miss S could afford to sustainably repay the lending. Our website sets out our approach to what we typically think when deciding if a lender's checks were proportionate. There is no set list of checks a lender should do, but there is guidance on the types of checks a lender could complete. However, these checks needed to be proportionate when considering things like the amount and term of the lending, what the lender already knew about the consumer, etc.

Before agreeing to lend, creation gathered details of Miss S' circumstances including her income and completed a credit search. The income it recorded was that Miss S earned

£45,000 gross per year. From this it calculated that Miss S earned around £2,850 net per month and that she had existing credit repayments of just under £400 per month. It therefore felt Miss S had sufficient remaining income to be able to afford this credit. This suggests Creation took steps to gain a reasonable understanding of her income, how she was managing her finances and her monthly repayments towards existing credit. I'm also mindful that given how the account worked, and the credit limit given, this was a relatively low credit commitment.

Looking at the details of the credit search results which Creation has provided, I can see that she had an account recorded as having been five months in arrears within the last 12 months. I agree with the investigator this could be an indication of recent problems managing money, so, I think Creation should have taken steps to question this. As it didn't, I can't say Creation responded appropriately to the information it uncovered during the application process.

However, having reviewed Miss S' credit file results which she has provided, I think it's more likely that this relates to a catalogue shopping account which was five months in arrears in August 2020. The account was subsequently brought back up to date by September 2020 and closed in November 2020. So, I think if Creation had taken more steps to uncover the circumstances surrounding this account, it's likely it would have uncovered this. The application in question took place in January 2021, so the account was back up to date around four months prior to the application and had since closed. I therefore don't think full information about this account should have suggested to Creation that Miss S was currently struggling financially or given Creation reason not to lend.

Taking everything into consideration, I think Creation should have done more to question the adverse information on its credit file results. However, I'm satisfied that if it did, it would have been reasonable (based on all the information it had) to conclude Miss S could have afforded this agreement. Miss S appeared to have minimal existing monthly credit repayments, she was earning around £2,850 per month and the repayments (even if she had spent the full limit on the account) were likely to be quite low. So I'm satisfied that had Creation completed proportionate checks and responded appropriately to the information provided, it would still have been reasonable to lend.

Miss S' representative has argued that because Creation didn't do proportionate checks, we should therefore review her bank statements before deciding if it was reasonable to lend. I think her representative is therefore arguing that in circumstances where proportionate checks aren't completed, a full review of a consumer's actual position should take place. In the circumstances of this complaint, I think that would be disproportionate to the credit that has been given. The test I need to apply is, if Creation had completed proportionate checks and responded appropriately to the information uncovered, would it still have been reasonable to lend? I've explained above why I think if Creation had taken further steps in relation to the adverse information it uncovered, it would still have been reasonable to lend.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think Creation lent irresponsibly to Miss S or otherwise treated her unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

For the reasons explained above, I don't uphold this complaint against Creation Consumer Finance Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 24 October 2025.

Claire Lisle
Ombudsman