

The complaint

Mr C complains about how Creation Consumer Finance Ltd (“Creation”) mis-managed his credit card account. He says they defaulted it without sending him a prior default notice, continued to report the account to credit reference agencies after it had been sold and failed to provide an accurate balance to the company who bought the account. Mr C also says they gave incorrect and incomplete answers to him about the dispute.

What happened

Mr C held a credit card account with Creation. In February 2023, Creation put a hold on the account due to a change in Mr C’s personal circumstances. This hold was removed in March 2024 and Mr C resumed making payments with the help of a debt charity.

Creation sold Mr C’s account to a third-party debt purchaser around this time, although their records show the purchaser only completed the debt sale in October or November 2024. However, Mr C then found out that Creation had recorded a default on his credit file.

Mr C complained to Creation about this and said they hadn’t sent him a default notice prior to defaulting his account, as required by law. Mr C also said Creation had reported an incorrect balance to the debt purchaser and had failed to include two payments he’d made in October and November 2024. Mr C mentioned that Creation was continuing to report his account to credit reference agencies as ‘live’ which meant it appeared that he had two accounts.

Creation initially said that they took a decision to sell the account and default it without telling Mr C, and that they were entitled to do this. However, after Mr C pressed them on this point, they changed their view a couple of times. They first said they should have recorded a default in October 2024 when the debt sale had been completed. But they subsequently said they shouldn’t have defaulted the account because Mr C was in a payment arrangement at the time due to financial difficulties. Creation initially offered to pay Mr C £50 compensation for this, which they then increased to £150. They didn’t though accept they had reported an incorrect balance to the debt purchaser.

Mr C didn’t accept Creation’s explanation or their offer. He referred his complaint to our service and mentioned to us that Creation were still reporting the account as ‘live’ and with an incorrect balance.

Our investigator felt Creation’s offer of £150 was reasonable. Mr C didn’t agree and said that £5,000 was a fairer figure because of the impact this dispute had on him.

I sent my provisional decision on 27 July 2025, relevant extracts of which I include below and which forms part of my final decision.

‘The complaint stems from how Creation dealt with Mr C’s credit card account. This is a regulated consumer credit agreement, and our service can look at complaints about these types of agreements.

It seems to me the problem started when Creation defaulted Mr C's account and arranged to record a default marker on his credit file. It also seems to me that Creation initially at least felt that they were entitled to do this without giving Mr C prior notice of their intention to do so. However, Creation was, and of course still is, obliged under the Consumer Credit Act 1974 (and in particular, Section 87 of the Act) to issue a default notice before terminating a credit agreement. Taking steps to default an account and essentially terminate it (which is what Creation did in Mr C's case by selling the debt on), is a serious step that has significant consequences for the affected debtor, including of course Mr C. And, by not sending a default notice, Creation deprived Mr C of the ability to remedy the breach, which here presumably was making up the arrears that were due.

So, I'm satisfied that it was unreasonable for Creation not to send a default notice to Mr C prior to the subsequent action it then took. But that's not the entire story. Mr C had taken steps to try to address what was owed on the account by entering an agreed debt repayment schedule with a third-party debt charity. Creation has accepted that their decision to default the account in view of this, notwithstanding the lack of default notice, wasn't a fair one. So, it seems to me that Creation made two mistakes here in how they dealt with Mr C's account.

Mr C also complains that Creation continued to record information about the account with a credit reference agency after they sold the account to the debt purchaser. It's difficult for me to know for sure whether this was an issue caused by Creation or the credit reference agency. I say this because I've seen a copy of an e-mail sent by Creation to the credit reference agency in January 2025 which asked them to record that the account was settled as of October 2024 and to remove the default. Mr C has sent evidence to show the account was only updated in April 2025 showing it was settled as of October 2024.

On balance, and with the above in mind, I think it probably more likely that Creation wasn't entirely at fault for the account not being updated before April 2025. However, the fact that Creation had to instruct the credit reference agency to record the account more accurately in my view stems from them not ensuring that accurate information was there in the first place.

So, I find that Creation should shoulder some of the blame for this. This also includes the time Mr C spent in trying to deal with this matter with Creation and the credit reference agency, which was over several months.

Mr C has also mentioned that Creation gave an incorrect balance to the debt purchaser and failed to include payments he made in October and November 2024. I've looked at the account statements held by Creation and this seems to set out that the account was to be 'charged off' (meaning essentially they sold the account and wrote the balance of £1,090 off from its records) on 20 October 2024. There is some doubt about this in my mind though as the balance of £1,090 still shows on the account statements after that time. The subsequent payments Mr C made are also shown on these, on 31 October 2024 and 30 November 2024, reducing the balance to £932.08.

It's possible that Creation did send the debt purchaser the correct balance at the time they sold the account, although the entries on the account statements that I've mentioned above does plant some doubt in my mind. I haven't seen evidence from the debt purchaser about the balance that they purchased to be reasonably sure they were given an incorrect figure, although I do note that the credit reference agency was recording, under an entry for Creation, that the balance of the account in 2025 was £1,090 rather than £932.08. So, it's possible that Creation did make a mistake with the balance although I can't be entirely sure of this.

Overall, and for the reasons I've set out above, I think Creation didn't handle Mr C's account well at all. I've seen that this caused him a lot of distress and caused him to spend a lot of

time trying to sort these issues out. I understand that Mr C has now repaid what was owed on the credit card account and that his credit file is now showing the correct information. But Mr C has described to us in great detail about the amount of emotional and mental distress this dispute had on him. I'm really sorry to hear about this. As a result, I think that Creation should pay Mr C compensation for what happened, which led to him suffering such distress.

Determining what is a fair figure isn't an exact science, but I currently think Creation should pay Mr C £500 for the distress this matter had on him, and for the time he spent in trying to sort this out. I realise Mr C may feel that £500 isn't a fair amount. I don't though think a payment of £5,000, which is what he asked Creation to pay, is fair. I'm satisfied that a payment of £500 is a reasonable figure and in line with how our service approaches compensation payments for distress caused by disputes such as these. We've set out our approach on distress and inconvenience payments on our website, which either party are of course more than welcome to look at'.

I asked Mr C and Creation to send me any further comments or evidence they wanted me to consider.

Creation agreed with my provisional decision.

Mr C didn't agree. He said £500 didn't reflect the severity or the breadth of the impact this situation had on his life, health and family. Mr C said he didn't believe I had understood this as I hadn't lived with the constant stress and anxiety around the whole situation, which caused him to have panic attacks, sleepless nights, collapse episodes, emotional exhaustion and a total breakdown of his confidence and stability.

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 Mr C and Creation for their replies to my provisional decision. But in particular I'd like to thank Mr C for taking the time to explain how Creation's actions affected him.

I'm sorry that Mr C feels I didn't understand the severe impact this matter has had on him. I have considered what he's said about this very carefully. And I'm sorry to hear that he's been impacted so significantly.

It's clear to me that Creation's actions caused Mr C immense distress over a long period of time. I mentioned in my provisional decision though that it's difficult to reach an exact figure on compensation to resolve this matter fairly. Overall, I still feel that £500 fairly reflects the serious nature of Creation's failings and the impact this had on Mr C. I of course realise that Mr C feels this is wholly inadequate. If Mr C doesn't wish to accept this, then he is free to pursue his dispute with Creation in court. The court system's approach to compensation will be different to our one.

I would just add that Mr C's legal rights won't be affected if he doesn't accept my decision. There is though no further appeals process within our service following my decision.

Putting things right

Creation should pay Mr C £500 for the impact their actions had on his health and well-being.

My final decision

I uphold this complaint and direct Creation Consumer Finance Ltd to take the action I've set out in the 'putting things right' section of my decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 8 August 2025.

Daniel Picken
Ombudsman