

## **The complaint**

Mr R complains that Creation Consumer Finance Ltd (Creation) acted irresponsibly in granting him running account credit as it wasn't affordable for him.

## **What happened**

Mr R applied for running account credit with Creation in July 2020, that could be used with a particular retailer. The credit limit was £3,500. The credit limit was reduced to £2,450 in April 2023.

In 2024, Mr R complained that Creation had been irresponsible in granting the running account. In its final response letter, Creation said it thought it had acted responsibly in granting the running account.

Mr R wasn't happy with Creation's response and referred his complaint to our service. One of our Investigators considered Mr R's complaint and didn't uphold it. Mr R disagreed with his opinion.

As our Investigator couldn't resolve things, the complaint was passed to me. I issued a provisional decision. In summary, I said that I thought Creation should have conducted further checks before granting the account. But, having reconstructed what information it was likely those checks would have found, I thought Creation still would have considered the account to be sustainably affordable. So, I didn't uphold the complaint.

Creation accepted the provisional decision. Mr R didn't respond by the deadline. So, the complaint has been returned to me for provisional 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.

I issued a provisional decision, in which I said:

*"I've considered the relevant rules and guidance on responsible lending set by the regulators, laid out in the consumer credit handbook (CONC). In summary, these say that before Creation granted the running account it needed to complete reasonable and proportionate checks to satisfy itself that Mr R would be able to repay the debt in a sustainable way, without borrowing further elsewhere.*

*Creation has explained it considered information from an external credit reference agency, as well as the information Mr R provided in the application, to decide whether to grant the running account.*

*Creation had summarised the information it received from the credit reference agency for our*

*Investigator. I asked for the actual data it saw, which Creation has now provided.*

*The income declared on the application was £60,000 a year (around £3,245 a month), and Mr R has said that he was living with his parents. The information from the credit reference agency didn't show that Mr R had any county court judgments in the last six years or any accounts that were in default at the time.*

*The information from the credit reference agency showed that Mr R had existing monthly unsecured loan payments of £161, and that his existing revolving credit balance (such as from credit cards) was £4,942. It assumed Mr R needed to pay £75.27 towards his revolving credit balance, around 3% of the total.*

*Under the terms of the running account credit, when Mr R used it to purchase goods with a value over £99 from the retailer, he could choose to repay the cost over 12 to 36 months. In considering whether the account was affordable for Mr R, Creation estimated his new monthly payment to be £138.65, which is the amount needed to repay the balance over 36 months if the total credit limit was used. Each item also had a buy now pay later period, and wouldn't incur interest if repaid in full during that time.*

*Creation therefore estimated that Mr R had just over £2,870 to cover his essential monthly outgoings.*

*The information from the credit reference agency also stated "Arrears in the last 12 months: 2". It's not clear if that means that there were two months in the previous year where Mr R had been in arrears on at least one account, or that at least one account had been two months' payments in arrears during that time. In either case, I think Creation should have been prompted to conduct further checks before granting the running account credit, as it indicates Mr R was experiencing financial stress.*

*So, I think Creation should have asked Mr R further questions about his income and expenditure before granting the running account credit. I've therefore considered Mr R's bank statements for the three months prior to the application, to reconstruct what information it's likely those checks would have found.*

*Mr R has said that Creation asked for his household income in the application, rather than his individual income. I accept it's likely that's the case, as his bank statements shows his monthly income was around £1,590. His bank statements also show that his essential monthly expenditure (on utilities, groceries, insurances etc) was around £330.*

*As I've explained above, the information from the credit reference agency showed that Mr R had loan payments of £161, and had a revolving credit balance of £4,942. So, Mr R had around £1,099 disposable income to make payments towards his existing revolving credit balance, along with payments towards the new running account credit.*

*Although I think the amount Creation had estimated as Mr R's monthly payment towards his revolving credit was relatively low – the amount would likely only cover the minimum payment towards his existing balance, rather than reduce it in a sustainable way – I think if Creation had used a larger figure, it likely would still have considered that Mr R had sufficient funds to cover his living expenses.*

*The credit limit Creation granted was £3,500. So, while I think it failed to conduct proportionate checks before granting the running account credit, I think that if it had done so it would still have considered the credit limit to be sustainably affordable for Mr R. Mr R has said that he thinks it's unfair that Creation offered the buy now pay later periods, to entice him to enter into the agreement, but then charged a high rate of interest. He also*

*thinks that Creation should have conducted checks on each occasion he purchased items using the running account credit.*

*It's not unusual for financial businesses to offer buy now pay later or other introductory deals (such as interest free periods), and I don't think it's unfair that Creation did so here. I think the terms and conditions of the running account credit agreement were clear – including the interest rate that would be charged. I think Mr R had enough clear, fair, and not misleading information to decide whether or not he wanted to enter into the running account credit agreement.*

*Creation has said that it conducted a soft credit search prior to each of Mr R's purchases. I think that's reasonable, and meets Creation's responsibilities to continue to lend responsibly. I don't think it needed to conduct checks as if it were considering a fresh application on each occasion.*

*I've also considered whether Creation's actions have meant there's an unfair relationship between it and Mr R. However, for the reasons I've already given, I don't think Creation lent irresponsibly to Mr R or otherwise treated her 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."*

I've read and considered the full file again. As Creation accepted my provisional decision, and Mr R didn't respond, I see no reason to depart from the outcome in my provisional decision.

### **My final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 4 September 2025.

Frances Young  
**Ombudsman**