

## The complaint

Mrs P argues that Creation Consumer Finance Ltd (trading as Creation) lent irresponsibly to her when it agreed a loan.

## What happened

In February 2023 Creation agreed a £25,000 loan for Mrs P. The loan was to be repaid over 60 months, with a monthly repayment of £575.61. The total cost of the loan was just over £34,500.

Mrs P argues that Creation failed to complete proportionate checks before agreeing this loan. She says she was heavily overindebted at the time she applied and had recently taken out several high value loans. If Creation had completed sufficient checks, it would have seen this.

In addition, she argues that from looking at her bank statements Creation should have seen she was gambling large sums of money and that it wouldn't have been responsible to lend to her.

Creation considered her complaint, but disagreed it treated her unfairly. It argued that it had completed proportionate checks before agreeing this loan. It also argued that Mrs P was applying for a consolidation loan, so it's reasonable that some of her existing credit commitments (and therefore monthly expenditure) would have decreased as a result of this loan.

One of our investigators considered the complaint. They felt that Creation didn't complete proportionate checks before agreeing to lend. However, the investigator thought that if proportionate checks had been completed, it would have most likely shown that Mrs P could have afforded to repay the loan. So, they didn't uphold the complaint.

Mrs P didn't agree and so the complaint has been passed to me to consider.

I issued a provisional decision in which I said:

*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 Mrs P's complaint.*

*Creation needed to make sure it lent responsibly to Mrs P. It therefore needed to complete sufficient checks to determine if Mrs P 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.*

*Generally, we think that earlier in a lending relationship it would be reasonable for a lender's checks to be less extensive. However, we might expect a lender to do more, for example, if a borrower's income was low or the amount lent was high.*

*Creation said it relied on Mrs P's declared annual income. In addition, it said it took into consideration information she declared on her application, such as that she was married/in a civil partnership and in rental accommodation.*

*Creation also said it completed a credit search, but has only provided limited results of this. I asked Creation for the full results, and it said it didn't retain this information. However, Creation has said that there was no adverse information on the credit file such as CCJs or defaults. And that the results recorded showed Mrs P was paying £635 per month in unsecured commitments and £109.86 in revolving account payments. In addition, Creation has said that Mrs P declared this was a consolidation loan, so it said it would have taken into consideration the debt reduction this would have created. However, when asked, Creation confirmed it didn't establish what existing credit Mrs P was intending to consolidate. So, it's unclear how Creation could make a reliable estimation of how this would impact her regular expenditure going forward.*

*Having considered the steps Creation took, I don't think these were sufficient establish whether or not Mrs P could have afforded to sustainably repay this loan.*

*Creation has said it took details of Mrs P's income, but it hasn't provided any evidence of the steps taken to verify this. I am mindful that Mrs P declared a gross annual income of around £30,000 and Creation calculated a monthly income of around £2,500 net. This is a higher net income than the gross annual income would typically provide, but it is consistent with the salary on Mrs P's statements. So, Creation may have taken steps to verify this, however it hasn't provided any details.*

*In any event, I would also have expected it to have a reasonable understanding of Mrs P's regular expenditure, in addition to existing credit commitments, before agreeing a loan of this size and term. This was a substantial financial commitment of £575.61 per month and it needed to be maintained over a five-year term. So, in order to establish if Mrs P could have sustainably afforded the repayments, I would have expected it to have gathered more regular expenditure information. Therefore, I don't think Creation completed proportionate checks before agreeing to lend.*

*I'll now go on to consider what proportionate checks would have most likely revealed had Creation completed them. In order to do this, I have reviewed Mrs P's bank statements. For the avoidance of doubt, I'm not saying that Creation should have requested Mrs P's bank statements in order to have completed proportionate checks. However, I need to recreate what Mrs P's regular income and expenditure was at the time the loan was granted, and her statements are a reliable source for me to consider.*

*I note Mrs P has argued that Creation should have requested her bank statements. She argues if it had done this it would have seen she was gambling heavily, and that it wasn't reasonable to agree this loan. However, as I've explained above there's no specific list of checks a lender had to complete. The checks just need to be proportionate to the credit being given. And whilst I don't think Creation completed proportionate checks, a full review of her financial circumstances by requesting bank statements was disproportionate to the loan being given.*

*Having reviewed Mrs P's bank statements, I find that it's difficult to reach a fair and reasonable finding about what her regular income and expenditure was. (And therefore, what Creation would have uncovered had it completed proportionate checks). I can see Mrs P is heavily indebted with a number of credit commitments. However, she was also receiving substantial deposits from another source she's said was her husband. So it's difficult to*

*conclude what proportion of the bills and regular expenditure Mrs P paid solely from her income. And therefore, what she had remaining to repay the loan in question.*

*Mrs P has also said she took out four loans totalling £45,000 a short period of time before this loan. So she argues this should have alerted Creation to the fact she was struggling and it shouldn't have lent.*

*Looking at the credit file results Creation has provided, it calculated that Mrs P had total monthly repayments towards existing credit of around £685 per month. However, it's not clear how this was calculated or what credit the repayments were being made towards. It also hasn't provided details to show when the accounts were opened. As Mrs P has argued the volume of new loan accounts she was opening should have alerted Creation to the fact she was struggling.*

*I asked Mrs P for a copy of her credit file which she has provided. From this I can't see the number of active loans she has suggested. I can see she had two active loans at the time of lending. It's not clear what the balances would have been on these loans at the time of lending given this is a recent credit search, but I think both would have likely been over £20,000 each including interest. They were taken in July 2022 and September 2022. I can also see she had some credit card accounts, however the information about the balances don't go back far enough in order for me to see what they were at the time of this application. I'm mindful that credit card balances can fluctuate so it's difficult to get an accurate picture of her total credit card indebtedness.*

*Essentially the conclusion Mrs P wants me to conclude was that she was so overindebted that Creation shouldn't have agreed any further credit. However, I also need to take into consideration that Mrs P specified the purpose of this loan was debt consolidation and she could have consolidated at least one of the above loans (and had some remaining funds for other debts). I'm also mindful that there were no CCJs or defaults on her credit search results which would indicate recent problems managing her finances.*

*On balance I'm not persuaded I can reach the finding that she was so overindebted it would have been irresponsible for Creation to have agreed this loan. Particularly as Mrs P declared the loan was for consolidation purposes. Furthermore, as explained above, Mrs P's bank statements show substantial deposits from her husband and therefore I can't determine what expenditure, including existing credit, she was solely responsible for. So whilst, I don't think Creation completed proportionate checks, I don't have sufficient information to conclude it's most likely that proportionate checks would have shown she couldn't have afforded to repay this loan. I therefore don't intend to uphold this complaint.*

#### *Other considerations*

*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 I can conclude that Creation lent irresponsibly to Mrs P 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.*

Creation didn't provide a response. Ms P provided details of her outstanding credit including a credit file report from another provider.

#### **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.

Having done so, I'm not going to uphold this complaint for largely the same reasons as I've

detailed in my provisional decision which forms part of this decision. I appreciate this will be disappointing for Mrs P.

To summarise, in my provisional decision I concluded that Creation didn't complete proportionate checks before agreeing to lend. However, I felt I didn't have sufficient information to conclude that proportionate checks would have most likely demonstrated that Mrs P couldn't have afforded the lending in question. Specifically, I didn't have sufficient information about Mrs P's regular expenditure and not all of the existing loans she's told us about were detailed on the credit file she provided.

In response Mrs P has provided a copy of her credit file from another provider. She's also provided details about her debts. She's told our service that each of her parents had taken out loans on her behalf. However, as these loans weren't in Mrs P's name they wouldn't have shown on her credit search results. And as I explained in my provisional decision, I don't think it was proportionate for Creation to have reviewed Mrs P's account statements and I'm mindful that even if it had, this wouldn't have shown Creation the balances outstanding so it wouldn't have shown Mrs P's full indebtedness.

As I explained in my provisional decision, I couldn't see the total number of loans Mrs P said she had on the credit file results she provided. Mrs P has said that it must've been that this particular credit reference agency wasn't showing it. If Mrs P had credit that wasn't shown in some of her credit search results, it makes it very difficult for me to conclude that Creation should have uncovered this and factored this into its assessment of Mrs P's circumstances.

Furthermore, as explained above, in response to my provisional decision Mrs P has provided credit file results from another credit reference agency, together with details of the debts she had outstanding at the time of application. However, the details she's provided aren't fully supported by the additional credit file results she's provided. For example, one of the loans she's said had an outstanding balance at the time, looks to have been closed before this loan was applied for. In addition, the balances Mrs P has said were outstanding on her credit cards also aren't the same as what was reported in the most recent credit file information provided.

Taking everything into consideration, I'm still not persuaded I have sufficient information about Mrs P's regular expenditure to determine what proportionate checks would have revealed. And in particular, in relation to her credit file information, I'm not persuaded that it's reasonable to say that Creation should have uncovered full details about her existing credit commitments, given the inconsistencies I've detailed above and that some of her existing credit wasn't in her name. I'm also not persuaded that I can conclude that Creation should have uncovered her total indebtedness and seen it wasn't reasonable to lend. So it follows that I don't uphold this complaint.

**My final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P to accept or reject my decision before 17 October 2025.

Claire Lisle  
**Ombudsman**