

Complaint

Mr W complains that Creation Consumer Finance Ltd (“Creation”) unfairly entered into a hire purchase agreement with him. He’s said that the monthly payments to this agreement were unaffordable as the interest rate was extremely high.

Background

In November 2023, Creation provided Mr W with finance for a car. The finance of £24,135.05 was provided on hire-purchase terms and was due to run for 49-months. The loan had an APR of 13.9% and total interest, fees and charges of £12,485.63 (made up of interest of £12,485.63 and a £10 option to purchase fee). This meant that the balance to be repaid of £36,619.68 was due to be repaid in 48 monthly instalments of £289.95 followed by an optional final payment of £22,692.08 which Mr W had to make if he wished to keep the car at the end of the term.

Mr W’s complaint was considered by one of our investigators. He didn’t think that proportionate checks would have shown Creation that it shouldn’t have lent to Mr W. So he didn’t think that Creation had done anything wrong or treated Mr W unfairly and didn’t recommend that Mr W’s complaint should be upheld.

Mr W disagreed with our investigator and the complaint was passed to an ombudsman for a final decision.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

We’ve explained how we handle complaints about irresponsible and unaffordable lending on our website. And I’ve used this approach to help me decide Mr W’s complaint.

Having carefully thought about everything I’ve been provided with, I’m not upholding Mr W’s complaint. I’d like to explain why in a little more detail.

Creation needed to make sure that it didn’t lend irresponsibly. In practice, what this means is that Creation needed to carry out proportionate checks to be able to understand whether any lending was sustainable for Mr W before providing it.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify that information – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low, the amount lent was high, or the information the lender had – such as a significantly impaired credit history – suggested the lender needed to know more about a prospective borrower’s ability to repay.

Creation says that Mr W was proposed as employed as a working full time as a project manager. It also suggests that various factors - such as Mr W's credit score, what he owed to other lenders, his existing indebtedness and the amount of the monthly payment to this agreement – were all considered before Mr W's application was accepted.

I've thought about what Mr W and Creation have said.

Creation has provided us with the output of its credit check. From what I can see, Mr W didn't have any significant adverse information – such as defaulted accounts or county court judgments (“CCJ”) recorded against him. Furthermore, the amount of credit Mr W already had wasn't excessive and he was replacing an existing hire-purchase agreement, which he'd made all his payments to, with this one. The information provided also suggests that Mr W's declared income was validated against information from credit reference agencies on the amount of funds going into his main bank account each month which suggested that this declaration was plausible.

That said, while I accept that Mr W appeared to be up-to-date with his existing commitments and Creation had the details of Mr W's income, I can't see anything to indicate that it had information on his non-credit related expenditure. As this is the case, I can't understand how Creation was in a position where it could reasonably understand that these payments were affordable for Mr W and I'm not satisfied that it did complete fair, reasonable and proportionate affordability checks before entering into this hire-purchase agreement with him.

As proportionate checks weren't carried out before this agreement was entered into, I can't say for sure what they would've shown. So I need to decide whether it is more likely than not that a proportionate check would have told Creation that it was unfair to enter into this agreement with Mr W on the basis that he wouldn't be able to afford the monthly payments.

Given the amount borrowed, the monthly payments and the length of the agreement, in order for Creation's checks to have been proportionate, I think that it would have had to have an understanding of Mr W's income, his payments to existing creditors and his regular living costs. I want to be clear in saying that this isn't the same as saying that Creation had to obtain bank statements in order to verify all of this as how it found out about this was down to it.

Having considered everything provided, I'm not persuaded that Creation obtaining further information from Mr W would have made a difference on its decision to lend in this instance. I say this because the information Mr W has provided about his finances at the time, on the face of things at least appears to show that when his actual committed expenditure was deducted from what he received each month, he did have the funds to sustainably make the repayments due under this agreement.

I also have to consider that Mr W's most recent submissions are being made in support of a claim for compensation and what I need to decide here is what Mr W is likely to have disclosed to Creation should it have posed further questions about his financial circumstances.

With this in mind I think that any explanations he would have provided at the time are more likely to have been with a view to persuading Creation to lend, rather than highlighting any unaffordability. And, in these circumstances, I think it is unlikely that Mr W would have sought to show Creation that these repayments were unaffordable in circumstances where proportionate checks are unlikely to have shown that this was the case.

I have also thought about what Mr W has said about the costs of this agreement being very high. In the first instance, while I accept that the interest rate of Mr W's agreement may not have been market leading, I don't agree that the APR of 13.9% was very high in the way that Mr W argues.

In any event and more importantly, the information regarding the costs of this agreement, which is set in the background section of this final decision, is taken directly from the hire-purchase agreement Mr W signed. So I think that Mr W was notified of the costs of the agreement before he entered into it. And it was Mr W's to decide whether to accept these terms and proceed with the agreement. As Mr W did sign the agreement and agreed to be bound by its terms, I can only assume that he considered that those terms were, at the time at least, suitable for him.

In reaching my conclusions, I've also considered whether the lending relationship between Creation and Mr W might have been unfair to Mr W under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think Creation irresponsibly lent to Mr W or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

Overall and having carefully considered everything, I've not been provided with sufficient evidence which satisfies me that Creation's checks before entering into this hire purchase agreement with Mr W did go far enough.

Nonetheless, I'm satisfied that had Creation carried out reasonable and proportionate checks, as it ought to have done, this won't have stopped it from providing these funds, or entering into this hire purchase agreement with Mr W. I appreciate that this will be disappointing for Mr W. But I hope he'll understand the reasons for my decision and at least consider that his concerns have been listened to.

My final decision

My final decision is that I'm not upholding Mr W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 13 November 2025.

Jeshen Narayanan
Ombudsman