

## **The complaint**

Mrs W complains about the impact to her credit file after Creation Consumer Finance Limited ('Creation') cancelled a direct debit which led to arrears accruing on her account.

Mrs W would like her credit file to be amended.

## **What happened**

Mrs W complained that Creation had cancelled her direct debit after a debt management company purported to act on her behalf. Mrs W said this caused arrears and it was unfair to report missed payments to her credit file.

Creation didn't uphold Mrs W's complaint. They said they cancelled the direct debit because they received written authority through the debt management company, and that they followed their normal procedures.

Mrs W asked the Financial Ombudsman Service to investigate. Our investigator thought Creation had acted fairly, both in cancelling the direct debit and in reporting arrears to the Credit Reference Agencies ('CRAs').

Mrs W responded that it was unfair for missed payments to continue showing on her credit file when she was paying her monthly instalments and making extra payments to clear the arrears. After reviewing further information, our investigator thought that it was fair for Creation to continue reporting the arrears until they were fully cleared.

Mrs W said her credit score app showed missed payments each month, making it look like she was not paying, even though she was overpaying. She was also unhappy with how Creation handled things after she first complained. She asked for an ombudsman's 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've taken into account any relevant law and regulations, the regulator's rules, guidance and standards, codes of practice and (where appropriate) what is considered to have been good industry practice at the relevant time.

Having done so, I broadly agree with our investigator and I have decided not to uphold Mrs W's complaint. I'll explain why.

I agree that it was fair for Creation to cancel Mrs W's direct debit when they were contacted by the debt management company with Mrs W's written authority. Mrs W has confirmed her complaint at this stage isn't about the arrears built up at that time, so I'll focus on Creation's communication with her, and how the arrears were reported.

I am satisfied that Creation wrote to Mrs W after the debt management company withdrew in early August 2025. Although Mrs W says she did not see these letters, Creation's records show they were sent to the correct address, so I can't fairly hold Creation responsible for this.

Mrs W became aware of missed payments through a text message she received from Creation and she contacted them in August 2025 to arrange payment of the arrears. I am satisfied that Creation communicated fairly here and Mrs W was aware of the position with her account at that time.

The Information Commissioner's Office ('ICO') sets out guiding principles for businesses reporting arrears, arrangements and defaults. The ICO's guidance says, *"If you do not make your regular expected payment by the agreed time and/or for the agreed amount according to your terms and conditions, the account may be reported to the CRAs as being in arrears."*

Although Mrs W's credit score app showed missed payments, these apps do not show credit data in the same way as a full credit file. CRAs usually record status codes on credit files which reflect the number of months of arrears rather than a 'missed' or late payment.

In cases like this, I'd expect a '1' status code to be used to show that the account was one month in arrears. I'd expect this code to remain for six years as a record of what happened, even if the arrears were subsequently paid. I'd expect a '0' status code to be reported going forwards once the account was up to date.

I'm satisfied Creation have reported a '1' status code to Mrs W's credit file for July 2025 to November 2025 inclusive. I think this is fair and consistent with Creation's reporting obligations as it indicates the account was behind but hadn't reached two months of arrears.

I'm aware there was an issue taking October 2025's arrears repayment. This doesn't affect my view that it was fair for Creation to report a '1' status code for October 2025 as I think this would have been an appropriate code whether the payment was taken or not, due to the level of the arrears at that time.

The '1' status code was no longer reported after November 2025, which likely reflects that Mrs W was less than one month in arrears at that time. I think that's reasonable.

The ICO says lenders can use an arrangement marker where customers agree to special payment terms, but I'm mindful this usually indicates a customer is paying less than the contractual amount. As Mrs W was overpaying, I do not think it was unreasonable for Creation to continue using a '1' status code instead. Creation also provided monthly balance updates, so anyone viewing the full credit file could see the arrears reducing.

If Mrs W is still concerned about how lenders perceive Creation's credit reporting she can place a notice of correction on her credit file explaining that she was making extra payments to clear arrears. This can be done by contacting the main CRAs. Mrs W can find out more about her credit file and notices of correction in the ICO's leaflet 'Credit Explained' - <https://ico.org.uk/media2/migrated/1282/credit-explained-dp-guidance.pdf>

I am sorry to hear that Mrs W has ongoing frustrations with Creation. She says she felt resistance from Creation when she made a larger contribution towards her arrears in November 2025, which she thinks was unfair. She was told this broke her payment arrangement and she'd have to set up a new one. Although this is linked to what happened, I think this is a separate complaint to the one I am considering. I can only consider the complaint that's already been made to Creation and which they've had a chance to respond to.

I can only ask Creation to change what they are reporting to the CRAs if I find they've treated Mrs W unfairly. While I acknowledge how Mrs W feels about what happened, I don't think Creation treated her unfairly here. This means I am not going to ask Creation to take any action on this occasion.

**My final decision**

For the reasons I've given, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 20 May 2026.

Clare Burgess-Cade  
**Ombudsman**