DRN-5951788

The complaint

Mr S complains about Creation Financial Services Limited closing his account in respect of persistent debt.

What happened

I won't repeat the background in detail as it is familiar to all parties. This reflects my informal remit.

Mr S had a credit card account with Creation which it closed in November 2021. In summary, he is unhappy with the way it did this. He says it didn't tell him it had closed his account (only suspended it) and sent him misleading correspondence about it. He says Creation didn't act according to the Consumer Credit Act 1974 or the Financial Conduct Authority ('FCA') guidelines on persistent debt.

Mr S would like his account re-opened or another account on the same terms. He complained to Creation but it did not agree to do this. It said it had closed his account because he was in persistent debt for a prolonged period and had not made the recommended monthly payments it requested.

Our investigator thought Creation had acted fairly. Mr S disagreed and asked for an ombudsman to look at things for a final decision.

I issued a provisional finding on this case which said:

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

While I might not comment on everything (only what I consider key) this is not meant as a discourtesy to either party – it reflects my role resolving disputes with minimum formality.

In considering what is fair and reasonable, I need to have regard to the relevant law and regulations, regulators' rules, guidance and standards, codes of practice and (where appropriate) what I consider having been good industry practice at the relevant time. This includes the FCA Consumer Credit Sourcebook (CONC). The FCA Principles for Businesses (PRIN) which state (amongst other things) that 'a firm must pay due regard to the interests of its customers and treat them fairly' and 'a firm must pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading'. And (where relevant to events from 31 July 2023) the FCA's Consumer Duty, which sets high standards of consumer protection across financial services and (amongst other things) requires firms such as Creation to give customers the information they need, at the right time, and in a way they can understand – so that they can make informed financial decisions

It appears in 2021 Mr S was in an ongoing state of persistent debt with the credit card. I can see Creation wrote to Mr S to inform him about this and request he change his payment behaviour by making its 'recommended payment'. It warned him that if his account was in

persistent debt at 36 months it would have to act further by possibly suspending his card. And when this occurred it then wrote to him in October 2021 to say the card was suspended. On the face of it, in doing this Creation had acted fairly and in accordance with FCA guidance on managing accounts in persistent debt. I don't think that Mr S disputes that he was in persistent debt – or considers that Creation's action in suspending his card was unreasonable. So I am not focusing on that here.

However, Mr S says he has since found out that in November 2021 Creation took the decision to close the account permanently. This is what he is upset about – particularly as he thinks it wasn't clear about that.

I can see when Creation wrote to Mr S in October 2021 about the suspension it told him if he wanted to use the card again, he needed to pay the recommended payment and it said if he didn't 'make any of the recommended monthly payments in the future, your card will be permanently suspended'. I can see that month the recommended payment on his statement was £52.61 but Mr S didn't make it. And Mr S continued not making the recommended payment on an ongoing basis. So (even if it could be argued it was premature doing so in November 2021) ultimately, I don't think Creation was acting unfairly in closing the account permanently here as it needed to act to try and mitigate Mr S's persistent debt.

I note Creation said it closed the account as a 'regulatory requirement' and Mr S says this is not accurate. The FCA guidance letter to CEOs from February 2020 on persistent debt says there isn't a regulatory requirement that a card must be suspended simply where a customer is in persistent debt. However, in that note the FCA does acknowledge suspension or cancellation of cards is appropriate in certain circumstances in connection with persistent debt. And here Creation isn't simply relying on Mr S having entered a state of persistent debt as a reason for cancellation - but the circumstances here which is where it endured for a prolonged period and Mr S did not make the increased payments it recommended (or contact it to show these were unaffordable and some other payment was more suitable). So, overall I don't consider it has acted contrary to FCA guidance (or the terms of its own credit agreement) in cancelling the card in the circumstances.

In summary, I don't think Creation has acted unfairly in closing the credit card account. And I don't think it can be required to re-open it as Mr S wants it to (or open a similar account). I note Mr S refers to other lenders who have done this – but that in itself doesn't mean it is reasonable for me to direct Creation to here noting differences in commercial decision making across firms.

However, I think Creation was not as clear with Mr S about the permanent suspension of the account as it could have been. It served him with a notice saying the account was suspended – but I don't see where it followed up to then confirm the account had then been permanently closed. I appreciate that Creation warned Mr S about the conditions that would lead to a permanent suspension in the letter about the initial suspension, however, had it sent a separate notice confirming the permanent suspension it might have avoided confusion later. I say this noting that:

- *in July 2023 Creation responded to a complaint Mr S had about the account and did not clearly confirm it had been closed – instead referring to a 'block' and referencing past correspondence which referred to an account being 'suspended / closed' as if they are one and the same;*
- *in July 2024 Creation appears to have sent out a letter to Mr S by mistake which indicates the card was simply suspended, and he might be able to continue using it if he started making the recommended payments.*

Ultimately, I don't think Creation's lack of clarity means that it should fairly re-open the account. And I also don't think the lack of clarity has likely caused Mr S a financial loss as he always had to repay the debt. But I do think what has occurred here has caused Mr S a degree of avoidable distress. Therefore, I am awarding him £50 compensation for this.

I appreciate my award isn't giving Mr S exactly what he asked for. However, I think it fairly reflects the situation here. I hope, both parties see this as a fair way to resolve matters and move forward.

Creation agreed with my decision.

Mr S said he accepts my decision but on the basis that the credit balance on the account is repaid to him at the same time with interest that has accrued over 15 months.

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.

Neither party has given me cause to change my provisional findings – which I still consider fair for the reasons already given (above). These findings now form my final decision alongside the points below:

I note that in its response to his complaint about the account closure in October 2024 Creation pointed out that Mr S's account was in credit because of a payment he made in August 2024 and explained how he could request this money back. However, Mr S has indicated in response to my provisional decision that he hasn't had it back yet and wants it plus an additional amount reflecting out of pocket interest. If Mr S considers that Creation has acted unfairly in respect of the repayment of the credit, and caused him a loss as a result, he can make a separate complaint about that – but that isn't the subject matter of this complaint here so I am not going to direct Creation in respect of this matter or comment on it further.

Putting things right

As set out below.

My final decision

I direct Creation Financial Services Limited to pay Mr S £50 compensation to resolve this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 12 December 2025.

Mark Lancod
Ombudsman