

## The complaint

Mr P complains that Creation Consumer Finance Ltd (Creation) acted irresponsibly by agreeing to lend to him.

## What happened

Around March 2023 Mr P entered into a Fixed Sum loan agreement with Creation for £15,000. He said the purpose of the loan was for home improvements. After interest and charges were applied Mr P was required to repay £21,009 over 60 months at £350.15 a month. Mr P said had Creation properly checked they would have seen he was already heavily indebted as he'd multiple loans, credit cards and as well as using his overdraft. And by adding to his debt, he was no longer able to maintain his credit commitments. He complained to Creation.

Creation said their checks were reasonable and proportionate. From these checks they said Mr P should have had sufficient disposable income to sustain his repayments. There weren't any signs of financial vulnerability such as arrears, county court judgments (CCJ) or defaults showing on his credit file. So, based on this they'd made a fair lending decision.

Mr P wasn't happy with Creation's response and referred his complaint to us.

Our investigator said Creation had acted fairly and that their checks were reasonable and proportionate.

Mr P didn't agree and asked for an ombudsman to decide.

I issued a provisional decision in early December 2025 that said:

## 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.

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*Having done so I'm currently minded to uphold Mr P's complaint. I'll explain why.*

*We've set out our general approach to complaints about unaffordable and irresponsible lending - including the key relevant rules, guidance and good industry practice - on our website and I've taken that into account when considering Mr P's complaint.*

*Creation needed to take reasonable steps to make sure they didn't lend irresponsibly. This means they should have carried out proportionate checks to make sure Mr P could afford to repay what he was being lent in a sustainable manner. These checks could consider several different things, such as how much was being lent, the repayment amounts, how much borrowing Mr P had elsewhere and Mr P's income and expenditure.*

*This means to decide this complaint I need to assess whether Creation carried out proportionate checks; and if I think they did whether based on these checks they made a fair lending decision. Or if I don't think the checks are proportionate what further checks would have shown as to the affordability of the lending.*

*Creation said they considered Mr P's application and credit reference agency (CRA) data. They said Mr P declared an annual income of £48,000, which they assessed to be a monthly salary of £4,000. He was living with his partner and was a homeowner. Mr P said he'd unsecured debt of £869 and secured debt of £698. He didn't provide any details about his day to day outgoings.*

*Creation's CRA checks showed Mr P had a total unsecured debt of £25,715. They considered based on this amount being repayable at around 3% each month, he'd credit commitments of £771.45. Creation's checks showed Mr P was using 95% of his available credit card limits and he'd a debt-to-income ratio of 58.52%. Mr P's credit report didn't highlight any missed payments, CCJ's or defaults.*

*Creation assessed Mr P to have monthly commitments of £2,340.80 inclusive of the new lending of £350.15. Which should have left Mr P with a disposable income of £1,659.40. On this basis they concluded the loan would be affordable for him. Creation haven't provided a breakdown of how they reached the figure for Mr P's monthly commitments.*

*Creation have provided us with the CRA data, Mr P's credit report. From this I can see Mr P had at the time of his application two mortgages, four loans, seven credit cards and insurance commitments. Mr P's loans were repayable at £554, £70, £83.33 and £10 respectively. He'd two mortgages repayable at £665 and £923, insurance of £235 a month, as well as his revolving credit, which Creation assessed to be £771.45. After factoring in the new lending of £350.15 this would appear to show Mr P would have monthly credit commitments of around £3,662, (much higher than Creations' assessment) leaving a much lower disposable income of around £338 before factoring in food, transport and other day to day living costs.*

*Creation's assessment showed a high level of disposable income, but this doesn't appear to be evident from Mr P's credit report. Also, I haven't seen any evidence that Creation verified Mr P's declared income or a breakdown of how they assessed any essential living costs. I also think Creation ought to have been concerned about the level of Mr P's existing indebtedness as spending so much of his income, around 60%, on his credit commitments is something the industry knows can go on to cause financial difficulties.*

*Given the significant amount that Mr P was borrowing, the size of the monthly repayments, and the length of time Mr P would be indebted for. Combining this with the evidence Creation had about his significant existing borrowing, I think Creation ought to have done more than they did to establish whether the credit was affordable for him. I think they should have asked Mr P more about his income and expenditure and sought evidence to verify this.*

*This doesn't automatically mean Creation shouldn't have lent to Mr P only that they should have done further checks. Generally, we wouldn't expect a lender to obtain bank statements but for our purposes these are a good indicator of Mr P's income and expenditure.*

*Mr P has provided his bank statements for several months prior to his loan application. From these I can see Mr P's income wasn't stable. He has told us he was self employed selling cars and working as a delivery driver. Over the course of the three months prior to his application Mr P had wage payments into his account of around £717 each month, but I can see in December 2022 his wage income was substantially higher than in the following two months. His other income consisted of large bank deposits, online platform payments, an*

*insurance payment, rent and monies from his partner.*

*His unsecured credit card commitments (assuming a sustainable repayment rate of 5% of revolving balances, which we consider would settle any balance within a reasonable period) would be around £1286. Added to which his existing loans, mortgages and the new lending of £350.15, would mean Mr P would need to spend around £4,176 of his income each month to meet his credit commitments, before factoring in day to day living costs for food, transport, utilities, council tax, media and communications. I can also see Mr P was, on occasion, using his overdraft, incurring interest charges, and this was more evident leading up to his loan application. And at times making high risk investments.*

*We think a lender's checks need to be borrower focused. This means Creation had to think about whether repaying the credit sustainably would cause any difficulties or adverse consequences for Mr P. In other words, it wasn't enough for Creation to simply think about the likelihood of them getting their money back, they had to consider the impact of the loan repayments on Mr P.*

*While I can see Mr P had income sources such as rent payments towards the mortgage for one of his properties. He's said the large bank deposits were a result of him selling his stock vehicles, which has resulted in his car sales business closing. Mr P has also shown he sent monies to his partner to cover the other day to day living costs such as food, and council tax, but at times I can see he needed to have this paid back into his account again to help him manage his finances.*

*I wasn't satisfied Creation's checks were reasonable and proportionate, and said they should have done more to establish Mr P's financial situation. I think had they checked further they would have seen the fragility of Mr P's finances. He didn't have a stable income, he was reliant on credit, using 95% of his credit card limits, and his level of indebtedness showed his debt-to-income ratio would increase considerably when it was already high at around 60%.*

*So, I don't think Creation made a fair lending decision by adding further to Mr P's financial burden as I think it was more likely than not the lending would be unsustainable for Mr P, which it has proven to be.*

### **Putting things right**

*To put things right we'd usually ask a business to put a consumer back into the position they were in before the business did something wrong. But in cases of irresponsible lending this isn't possible given Mr P has had the benefit of the monies lent to him by Creation. So, I think it's only right he should pay this back. But as I don't think Creation should have lent to Mr P, he shouldn't have to pay any interest and charges that Creation has applied.*

*I've also considered whether Creation acted unfairly or unreasonably in some other way given what Mr P has complained about, including whether their relationship with him might have been viewed as unfair by a court under Section 140A Consumer Credit Act 1974. But I'm satisfied the redress I've directed below results in fair compensation for Mr P in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.*

### **Responses to my provisional decision**

Mr P accepted my provisional decision without making any further representations.

Creation asked for sight of evidence I'd considered when reaching my decision which was provided along with an extension to provide time for them to consider the evidence and to

put forward any further representations they wanted me to consider. As the deadline has passed without any further evidence being provided for me to consider. My final decision will be as below.

### **My final decision**

I uphold Mr P's complaint. And ask Creation Consumer Finance Ltd to:

- Rework the loan removing all interest and charges that have been applied. Deducting any repayments made by Mr P towards the loan from the remaining amount.
  - a) If Mr P has paid more than this amount any overpaid balance should be refunded to him plus \*8% simple interest (calculated from the date the overpayments were made until the date of settlement). And to remove any adverse information about the unfair lending from Mr P's credit file.
  - b) If Mr P hasn't paid enough to settle the capital balance Creation should work with him to agree an affordable repayment plan. And once any remaining balance has been settled remove any adverse information about the unfair lending from Mr P's credit file.

As Creation has sold the debt to a third party, they should arrange to either buy back the debt from the third party or liaise with them to ensure the redress set out above is carried out promptly.

\*His Majesty's Revenue & Customs requires Creation to deduct tax from any award of interest. They must give Mr P a certificate showing how much tax has been taken off if he asks for one. If they intend to apply the refund to reduce an outstanding balance, they must do so after deducting the tax.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 26 January 2026.

Anne Scarr  
**Ombudsman**