

The complaint

Mr T says Creation Consumer Finance Ltd irresponsibly lent to him.

What happened

Mr T took out an interest-free fixed sum loan over 36 months from Creation in August 2025. It was to buy furniture from a certain retailer and was for £3,349.80. The monthly repayments were around £93.

Mr T says Creation acted irresponsibly when it approved the loan. At the time, he was unemployed, receiving universal credit and a personal independence payment as his only income. He has a number of mental and physical health issues and cannot work. Creation should have seen from his credit file that he had a bankruptcy (around 54 months before) and missed payments and defaults with other lenders. He asks for a refund of any interest and charges, a write-off of the remaining balance and any adverse information to be removed from his credit file.

Creation says it carried out adequate checks that showed the loan was affordable for Mr T.

Our investigator did not uphold Mr T's complaint. Mr T disagreed with this assessment and asked for an ombudsman's review.

He said, in summary:

- the bankruptcy was visible on his Clearscore report showing that Creation's reliance on one credit reference agency was not reasonable or proportionate;
- Creation did not verify his declared income and his actual income was lower than the value it used; the loan may have been interest free but there are still grounds to request redress – e.g. the write off or reduction of the capital;
- Creation ignored the multiple indicators of his vulnerability;
- on 8 August 2025 Creation gave him another line of credit without knowing how this loan would be managed;
- with regards section 140A of the Consumer Credit Act 1974, the combination of health issues, benefit income, and a false affordability assessment make this relationship unfair;
- credit file entries can be amended on the instruction of this service;
- some income on his bank statements has been double counted; and
- he submitted bank statements to this service on 12 December yet an assessment was issued on 15 December (one working day later) so it is implausible they were fully reviewed.

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 have read and thought about all of Mr T's submissions carefully. I mean no courtesy by

this, but in keeping with our role as an informal dispute resolution service – and as our rules allow (DISP 3.6.1R and DISP 3.6.4R), I will focus here on the issues and evidence I find to be material to the outcome of Mr T's complaint.

Having carefully considered everything provided, I'm not upholding Mr T's complaint. I'll explain why.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Mr T's complaint.

Creation needed to make sure that it didn't lend irresponsibly. In practice, what this means is Creation needed to carry out proportionate checks to be able to understand whether Mr T could afford to repay before providing him with a loan.

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 it – 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 or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

I can see Creation gathered certain information before lending to Mr T. It asked about his gross annual income and from that derived a net monthly income figure (£2,083). It completed a credit check to understand his existing monthly credit commitments (£36.18) and repayment history. Based on these checks it concluded Mr T could afford this loan as after repaying it each month he would have sufficient income remaining to cover his other non-discretionary costs.

In addition to its checks, I think Creation needed to verify Mr T's income. The regulatory guideline (CONC 5.2A.16 (G) part 3) explains that it is generally not enough to rely on an applicant's declared income without independent evidence. However, I think it could fairly have made the same lending decision had it verified Mr T's declaration. He has supplied benefits statements showing he received around £1,835 a month made up of universal credit and a personal independence payment. The regulatory guidelines allow lenders to consider benefit payments as they state income can include income other than salary and wages (CONC 5.2A.16 (G) part 5)).

As Creation's credit check showed a very low level of existing debt that was costing Mr T £36.18 a month it would still have been reasonable for it to conclude the loan would be affordable with that slightly lower level of income. I don't think it needed to carry out a fuller financial review given the value of the loan and the monthly repayment relative to Mr T's income, and his lack of other debt. In addition, this loan was a closed line of credit Mr T could only use to purchase furniture from one retailer, further lowering the risk profile.

Mr T is unhappy that Creation gave him the loan as he had been declared bankrupt in April 2021, saying his credit file would have shown this and other defaults. But as he knows, having shared his full credit file from the credit reference agency Creation used, this adverse data did not show up on Creation's credit check. This can happen for a number of reasons, for example, not all lenders report to all the agencies. But I can only fairly expect Creation to respond to the data its checks returned. I disagree with Mr T's point that it was wrong to rely on one credit reference agency, this is standard industry practice - and proportionate given

the nature of the credit involved here.

Mr T also argues Creation needed to do more as he was vulnerable, but he has evidenced that he did not make it aware of his circumstances until he complained. So I cannot say it failed to respond to his vulnerability at the point of application. Even if it had verified his income and learnt it was from benefits, we would not expect it to assume this meant he lacked the mental capacity to make financial decisions, unless there were any indications that this was the case. I have not found this to be the case here. However, now that Creation is aware, it must make any reasonable adjustments needed as the parties work together to agree an affordable payment plan for any outstanding balance.

It follows I do not think Creation was wrong to lend to Mr T.

I've also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Creation lent irresponsibly to Mr T or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

Mr T references additional lending from Creation on 8 August 2025, as that was a separate credit agreement he would need to raise a separate complaint with the business.

Finally, Mr T was unhappy with the time taken to review the bank statements he submitted to this service. But as I have not found the lender needed to review Mr T's bank statements to complete proportionate checks – and there is no regulatory obligation for it to do so – I do not intend to comment further on this point. In addition, it does not relate to his dispute with Creation, the merits of which this decision considers.

My final decision

I am not upholding Mr T's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 2 February 2026.

Rebecca Connelley
Ombudsman