

Complaint

Mrs M has complained that Creation Consumer Finance Ltd (“Creation”) irresponsibly provided her with an unaffordable credit account. She’s said that it ought to have seen that the credit was unaffordable.

Background

Mrs M was initially provided with a credit account, with a credit limit of £2,000.00, in November 2021. This credit account allowed Mrs M to purchase goods from a particular retailer. The limit on the facility was never increased. However, it was decreased to £1,050.00 in June 2023 before it was decreased to £871 in September 2023.

One of our investigators reviewed what Mrs M and Creation had told us. And she thought that Creation didn’t do anything wrong when providing Mrs M with her credit account. So she didn’t uphold Mrs M’s complaint.

Mrs M disagreed, so the case was passed to an ombudsman for review.

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 unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Mrs M’s complaint.

Having carefully considered everything provided, I’m not upholding Mrs M’s complaint. I’ll explain why in a bit more detail.

Bearing in mind, Mrs M’s responses to our investigator, I think that it would be helpful for me to start by setting out that we consider what a firm did to check whether any repayments to credit were affordable (asking it to evidence what it did) and determine whether this was enough for the lender to have made a reasonable decision on whether to lend.

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.

That said, I think that it is important for me to explain that our website does not provide a set list of mandated checks that a lender is expected to carry out on every occasion – indeed the regulator’s rules and guidance did not and still do not mandate a list of checks to be used. It simply sets out the types of things that a lender could do.

It is for a lender to decide which checks it wishes to carry out, although we can form a view on whether we think what was done was proportionate to the extent it allowed the lender to reasonably understand whether the borrower could make any repayments. Furthermore, if we don't think that the lender did enough to establish whether the repayments to credit were affordable, this doesn't on its own mean that a complaint should be upheld.

We would usually only go on to uphold a complaint in circumstances where we were able to recreate what reasonable and proportionate checks are likely to have shown – typically using information from the consumer – and this clearly shows that the repayments in question were unaffordable.

I've kept this in mind when deciding Mrs M's complaint.

The credit account Mrs M was provided with had a credit limit of £2,000.00. And as this was a revolving credit facility, Creation was required to understand whether Mrs M could repay around £2,000.00 within a reasonable period of time. Creation says that it would have asked Mrs M to confirm her income and that it carried out a credit check.

It says that it recorded Mrs M had an annual income of £62,000.00 and the credit checks showed that Mrs M was managing her existing credit commitments well. I don't know how Creation arrived at a figure of £62,000.00 for Mrs M's annual income. However, even if it were to argue that this was a figure that Mrs M declared, I think it ought to have taken some steps to have checked whether this was correct.

Indeed, the regulator's rules and guidance specifically state that where income is taken, it is generally not sufficient to rely solely on a statement of a prospective borrower's income. As Creation doesn't appear to have taken any steps to check an income figure, which on the face of things looked overoptimistic, I don't think that the checks it carried out before agreeing to provide this facility to Mrs M were proportionate.

As Creation did not carry out proportionate checks, I've gone on to consider what such checks are more likely than not to have shown. Bearing in mind the circumstances here, I think it would be reasonable to expect Creation to have had some idea of Mrs M's had income and her non-discretionary living expenses, as well as the information on her credit commitments which it had.

Having looked at copies of the bank statements Mrs M has provided, I can't see anything within them which clearly demonstrates that Mrs M wasn't in a position to make the monthly repayments required to clear the balance on this account within a reasonable period of time. If anything, the account statements show that she had sufficient funds to be able to repay what she could owe within a reasonable period of time.

I accept that Mrs M's circumstance went on to worsen. For example, I've seen that she eventually ended up defaulting on this agreement. I'm sorry that I learn that Mrs M went on to experience difficulty. However, bearing in mind what the bank statements I've been provided with show, which Creation in any event was not required to obtain at the time, I can't reasonably say that further checks would have prevented Creation from providing this credit account to her at the time that it agreed to.

So overall and having carefully considered everything, while I don't think that Creation's checks before agreeing to lend to Mrs M did go far enough, I've not been persuaded that Creation doing more, in this instance, would have prevented it from lending.

As this is the case, I'm not upholding Mrs M's complaint. I appreciate this will be very disappointing for Mrs M. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mrs M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 23 March 2026.

Jeshen Narayanan
Ombudsman