

Complaint

Miss B has complained about a loan Creation Consumer Finance Limited (“Creation”) provided to her. She says that the loan was unaffordable given her circumstances at the time and proportionate checks would have shown this to be the case.

Background

Creation provided Miss B with a loan for £13,000.00 in May 2024. It had an APR of 14.4% and a 60-month term. The loan was due to be repaid in 60 monthly repayments of just under £300.

One of our investigators reviewed what Miss B and Creation had told us. And he thought that Creation hadn’t acted unfairly or lent irresponsibly. So he didn’t uphold Miss B’s complaint.

Miss B disagreed and asked for an ombudsman to look at her complaint.

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 Miss B’s complaint.

Having carefully considered everything, I’m not upholding Miss B’s complaint. I’ll explain why in a little more detail.

Creation needed to take reasonable steps to ensure that it didn’t lend irresponsibly. In practice, what this means is that Creation needed to carry out proportionate checks to be able to understand whether Miss B could afford to make her repayments before providing this 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 provide loans to a customer irresponsibly.

Creation says it approved Miss B’s application after she provided details of her monthly income which it cross-checked against information from credit reference agencies on the amount of funds going into her main bank account each month. It says it also carried out a

credit search which showed Miss B's existing commitments were relatively well maintained at the time.

In Creation's view all of the information it gathered showed that Miss B could afford to make the repayments she was committing to. On the other hand, Miss B has said she already had significant debts and couldn't afford to take on any further borrowing.

I've carefully thought about what Miss B and Creation have said.

As Creation asked Miss B about her income and expenditure and also carried out a credit check, it's clear that Creation did obtain a reasonable amount of information before it decided to proceed with Miss B's application. Having looked at the credit check, there wasn't anything in them to indicate that Miss B had any recent significant adverse information – such as defaults or county court judgments (“CCJ”) – recorded against her.

It is clear Miss B had some existing debts. However, while I accept that Miss B might not agree with this, I don't think that these were excessive given she said that she was living with parents as part of her application. I also need to consider Miss B's existing debts in the context that the information from the time shows that Miss B's selected loan purpose was consolidation of her existing debts.

I don't know whether Miss B did go on to consolidate some of her other debts with the proceeds of this loan. I've noted that Miss B has said that Creation didn't verify that consolidation would occur. Miss B is correct in saying that Creation didn't know that she would consolidate her debt. However, I don't see that this was something that Creation could know for sure in advance.

In my view, all it could do was take reasonable steps and rely on assurances from Miss B that this would be done. Equally, I don't think that Creation assumed that Miss B would consolidate, it relied on what Miss B said as part of her application. I think that Creation was entitled to rely on such a representation, particularly as prospective borrowers are expected to provide accurate information as part of any application.

Furthermore, while Miss B has referred to her loan history, Creation didn't, nor was it required to, carry out a detailed review of her borrowing history. What a lender will typically do, is find out what a customer owes and whether any significant adverse information is reported against them. A lender certainly will not obtain a full credit report of the sort that a customer will receive should they obtain their credit file.

I'm also mindful that as this was a first loan that Creation was providing to Miss B, there wasn't a history of Miss B obtaining funds from it and then failing to consolidate debts elsewhere in the way she committed to. I'm therefore satisfied that Creation was reasonably entitled to consider that the proceeds of this loan could and would be used to clear a proportion of the existing debt that Miss B had, which she now argues meant that she shouldn't have been provided with this loan.

There is an argument to say that bearing in mind the amount of the monthly payment, at the absolute most, Creation ought to have found out more about Miss B's actual regular living expenses. However, the information Miss B has provided doesn't show me that her actual monthly living expenses meant that the monthly repayments to this loan were unaffordable.

Furthermore, I note that Miss B has now carried out a detailed analysis of her bank statements in order to conclude that the monthly payments were unaffordable. However, Miss B's analysis has been carried out with the use of bank statements and includes a granular assessment of her expenditure.

I note that Miss B has said that no responsible lender would have lent if it had seen her bank statements. I do accept the possibility that had Creation gone into the depth of checks Miss B appears to be saying it should have – obtaining bank statements – it may have seen Miss B's gambling and reached a different answer on lending.

However, before I can even consider what Miss B's bank statements show, I firstly need to decide whether Creation needed to request them in the first place. And the key matter in relation to this is that there was no requirement and there still is no requirement for a lender to obtain bank statements before providing unsecured lending to a customer.

Indeed, this isn't even the position in where any lending is secured. As this the case, while I accept that Miss B's bank statements do show significant gambling, I don't think that Creation knew about this, nor can I say that it ought to have known about this given it wasn't required to request bank statements and the information it did have didn't suggest that there was a reason to do so here either.

Therefore, while I sympathise with Miss B's situation and I'm sorry to hear that she's found making her repayments difficult, I don't think that Creation did anything wrong when providing this loan to her. It is arguable that it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable. But even if Creation had asked Miss B for more information about her regular living costs and contractually committed expenditure here this wouldn't have made a difference to its decision to lend.

In my view, this would have simply reinforced the notion that if Miss B did go on to repay some of her existing debts with the proceeds from this loan in the way that she said she would, she could end up in a better financial position. And I can't hold Creation responsible for the fact that Miss B may not have consolidated as she said she would as part of her application either.

In reaching my conclusions, I've also considered whether the lending relationship between Creation and Miss B might have been unfair to Miss B under s140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think Creation irresponsibly lent to Miss B or otherwise treated her unfairly in relation to this matter. And I haven't seen anything to suggest that s140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

So overall and having considered everything, I'm satisfied that Creation didn't treat Miss B unfairly or unreasonably when lending to her. And I'm not upholding Miss B's complaint. I appreciate this is likely to be very disappointing for Miss B. 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 Miss B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 26 February 2026.

Jeshen Narayanan

Ombudsman