

## **The complaint**

Mr M complains that CREATION CONSUMER FINANCE LIMITED (Creation) were unreasonable to default his account.

## **What happened**

The detailed background to this complaint is well known to both parties. So, I'll only provide a brief overview of some of the key events here.

Mr M entered into a hire purchase agreement with Creation on the 27 June 2024 to finance a used vehicle.

In early 2025 Mr M experienced financial difficulties following a period of unemployment. He contacted Creation to explain his situation and the account was referred to a company (who I'll call 'S') who acted on Creation's behalf to manage the arrears and discuss a potential repayment arrangement.

Several direct debit payments during 2025 were dishonoured and arrears accrued on the account. Although Mr M made some debit card payments during that time the monthly instalments were not consistently maintained and Creation sent a default notice in March 2025 and later terminated the agreement. A default was recorded on Mr M's credit file on the 3 September 2025.

Mr M says he made efforts to resolve the arrears including proposing payments once he had secured new employment. He also said he was not given a fair opportunity to bring the account up to date before the agreement was terminated and the default applied. Creation says the account was in persistent arrears and that attempts were made to assess Mr M's financial circumstances before any repayment arrangement could be agreed. They say that as they did not receive clarification about the source of the proposed payments no arrangement could be put in place and the account was correctly defaulted and terminated.

When Mr M referred his complaint to this service our investigator wasn't persuaded that Creation had done anything wrong. But as Mr M continued to dispute the matter, his complaint has been referred to me, an ombudsman, to make a decision.

## **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 agree with the investigator's view of this complaint, for broadly the same reasons.

Where the information I've got is incomplete, unclear, or contradictory, as some of it is here, I have to base my decision on the balance of probabilities.

I've read and considered the whole file, but I'll concentrate my comments on what I think is relevant. If I don't comment on any specific point, it's not because I've failed to take it on

board and think about it but because I don't think I need to comment on it in order to reach what I think is the right outcome.

From the statement of account, I'm satisfied that Mr M began to experience difficulty maintaining the required monthly instalments from early 2025 and that several direct debit payments were dishonoured. The account records show arrears accruing and only intermittent payments being made by debit card and not through the agreed monthly instalments.

While I accept Mr M contacted Creation to explain that he had experienced unemployment and later returned to work, the evidence shows the account was already in arrears and no formal repayment arrangement had been agreed. Creation has explained that further information about Mr M's income and the source of funds was requested before an arrangement could be put in place. I've not seen evidence showing that this clarification was provided before the account progressed through the collections process.

Mr M's account statement also helps clarify the arrears position when the default action was taken. The default notice was issued when the account was about a month in arrears but by the time the account was defaulted in September 2025 Mr M was in five to six months of arrears. The Information Commissioner's Office (ICO) guidance on the reporting of arrears and defaults explains that a default is typically recorded when an account has fallen significantly into arrears commonly in the region of three to six months. Taking this into account I'm satisfied that Creation recorded the default broadly in line with normal industry practise and I don't think it acted unfairly in doing so.

I appreciate Mr M feels that communication issues with S affected his ability to resolve the situation. However, S were acting as Creation's appointed agent to manage the account while it was in arrears, and I haven't seen evidence showing that the arrears were cleared or that a sustainable repayment arrangement had been agreed before the agreement was terminated. Taking everything into account I'm satisfied that Mr M did fall into arrears under the terms of the agreement and that Creation were entitled to take steps to recover them and report the account status to the credit reference agencies. I therefore don't think Creation acted unfairly when defaulting the agreement or recording the default.

While I've considered the example Mr M has provided from another complaint he had previously referred to us, involving a different business, each case that comes to this service is considered on its own individual facts and evidence. The circumstances described in that case involved different communications between the parties and different considerations around how the default process was explained to Mr M. In this complaint I've reached my decision based on the specific evidence relating to Mr M's account with Creation including the account history and the steps Creation took before recording the default. For that reason, I don't think the outcome of the other case changes my findings here.

### **My final decision**

For the reasons I've given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 9 April 2026.

Phillip McMahon  
**Ombudsman**