

Complaint

Mr S has complained that Creation Consumer Finance Limited (“Creation”) irresponsibly provided him with an unaffordable credit account. He’s said that the correct checks would have shown that the limit he was given was not affordable.

Background

Mr S was provided with a credit account, with a credit limit of £1,500.00 in July 2023. Creation says that Mr S successfully applied for a limit increase to £2,375.00 on the same day in order to enable him to complete a purchase.

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

Mr S disagreed, so the case was passed to an ombudsman for review.

My provisional decision of 31 March 2026

I issued a provisional decision – on 31 March 2026 - setting out why I was intending to uphold Mr S’ complaint.

In summary, I was intending to uphold Mr S’ complaint because I was satisfied that reasonable and proportionate checks would more likely than not have shown Creation that it shouldn’t have lent to Mr S.

Creation’s response to my provisional decision

Creation responded asking to see the evidence that I had relied on to determine that Mr S had defaulted accounts and County Court Judgments (“CCJ”) recorded against him. Once it was provided with this information, Creation confirmed that it accepted my provisional decision and had nothing further to add ahead of my final decision.

Mr S’ response to my provisional decision

Mr S responded to my provisional decision saying:

- Creation is responsible for the credit broker’s actions.
- I should give consideration to whether an enhanced remedy is appropriate bearing in mind the circumstances of the case - including whether the item purchased is returned and he is refunded all of his payments.
- he believes an additional compensation payment of between £300 to £500 is warranted in his complaint.
- Creation is reporting inaccurate information to credit reference agencies.

While I’ve set out a summary of the parties’ responses above, I can confirm that I’ve read and considered everything provided.

My findings

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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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 S' complaint.

Having carefully considered everything provided, including the responses to my provisional decision, I'm still upholding Mr S' complaint. I'll now explain why in a bit more detail.

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 S could afford to repay before providing him with a credit account.

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.

Why I'm satisfied that Creation's checks before lending to Mr S weren't reasonable and proportionate

There are a number of things that simply do not add up in the information Creation has provided to support its argument that it was reasonable to lend to Mr S. In the first instance, Mr S' signed credit agreement states that he was provided with a credit limit of £1,500.00. Yet the cash price of the item financed was £2,374.00, which is clearly over the agreed limit. Creation has said that Mr S successfully applied for his limit to be increased to £2,375.00 before his purchase was approved. But I've not seen a single thing to support this and importantly this isn't reflected in the paperwork that Mr S signed.

Equally, even if I were to accept Creation's argument that Mr S' limit was increased, the way the agreement was set up means that Mr S was always going to breach it, if he exercised his right not to make any payments for twelve months, as he was entitled to do in accordance with the agreement's terms. So, in my view, there are a number of concerning issues in relation to the agreement that Creation agreed with Mr S.

I'm also concerned about Creation's affordability checks. It has said that prior to lending, it had carried out a credit check which showed that Mr S didn't have any significant adverse information – such as default accounts or county court judgments ("CCJ") - recorded against him. And that he owed nothing at all to existing creditors.

However, despite being asked on more than one occasion to confirm this it remains unclear what address Creation used for the credit check. My concerns stem from the fact that the address on Mr S' credit agreement differs from his actual address at the time. This is important because Mr S has provided documentation from the retailer of the product that he

used for his purchase. This documentation appears to have been issued to a different address from that used on the credit agreement.

It's unclear why the retailer (which was also the credit broker in this instance) used a different address for the credit application from the address used in the rest of the documentation that was provided to Mr S. However, as Mr S wasn't at the address on the credit agreement and I suspect wasn't on the electoral roll at that address either, I have to question the veracity of the credit check Creation says it carried out and the weight that it placed on it.

Furthermore, I've also noted that Creation has provided a copy of a screenshot from a credit report. It has provided no context at all for this record. So the reason this has been provided is unclear. However, seeing as it is showing the Creation account and the account wouldn't have existed prior to Mr S' application being approved, I can only assume that Creation has provided it to show that it defaulted Mr S' account. The reason I've referred to this document is because it seems as though the default is being reported with Mr S being at a third address that is not present in any of the point-of-sale documentation.

In truth, I don't think it unfair to say that the presentation of Creation's file, at least, has been of poor quality. More importantly, it hasn't really provided any clear evidence to show me that the checks it carried out before lending to Mr S were reasonable and proportionate. I say this as it also hasn't provided anything to indicate how it arrived at Mr S having an income of £36,000.00 or what steps it took to validate this.

Furthermore, it hasn't provided anything to show what it did to establish Mr S' living costs. It seems to have concluded that Mr S could repay just under £80 a month as this was a revolving credit account. But I can't see that it had anything at all to show that Mr S would be able to repay the full £2,374.00 in the offer period. Therefore, I'm satisfied Creation's checks needed to have left it reason to be entitled to reach the conclusion that Mr S would be able to repay the just under £180 a month set out on the repayment schedule.

As I've seen very little to support that Creation obtained sufficient information to be able to reasonably reach this conclusion, I'm satisfied that its checks before lending to Mr S were neither reasonable nor proportionate.

Would reasonable and proportionate checks have indicated to Creation that Mr S was unable to sustainably make the monthly repayments to his conditional sale agreement?

As proportionate checks weren't carried out before Creation entered into this agreement with Mr S, I can't say for sure what they would've shown. So I need to decide whether it is more likely than not that a proportionate check would have told Creation that it was unfair to enter into this agreement with Mr S.

Mr S has provided us with evidence of his financial circumstances at the time he applied for the finance. Of course, I accept different checks might show different things. But given I'm satisfied that Creation's checks were defective, I think it's perfectly fair and reasonable to place considerable weight on this evidence as an indication of what Mr S' financial circumstances were more likely than not to have been at the time.

The information Mr S has provided shows that he had a county court judgment being reported against him and he'd defaulted on a loan which had a significant balance. I can also see that Mr S was in discussions with one of his creditors about his inability to repay what he owed. Mr S' lender agreed to write off the outstanding balance on the loan, in full, shortly after this agreement was taken out.

Given that lender wrote off close to £26,000.00 and a significant portion of this was the capital Mr S had been lent, not just the interest he was charged and lenders do not routinely write off capital balances – particularly for such large amounts – I think that this in itself is a powerful indicator of Mr S' inability to repay £180 a month. Mr S' other lender would not have taken the decision to write off capital lightly and I think it is unlikely that it would have done so should have there been a reasonable prospect of obtaining at least some of these funds back.

Creation may question why Mr S sought to purchase the item he did at the time he did given what he's said about his circumstances and what the information he's provided to support this shows. I have to say that I would not be unsympathetic to such an argument especially as the address used in Creation's credit check is one that Mr S had resided at a number of years earlier, rather than a wholly random address Mr S has no connection to whatsoever.

I also think it is important to note that this is the address that is included on Mr S' signed credit agreement. So while I've considered what Mr S has said in his response to my provisional decision, I don't think that Creation ended up with this alternative address by accident and it being included on the signed credit agreement means that I don't think it unreasonable to expect Mr S to have known that it played some part in his application.

However, given the address discrepancies in the gamut of sales documentation provided to Mr S, I think that the credit broker played a significant role in this agreement being brought about, in the way that Mr S says. So I don't think that Mr S being aware, or it being the case that he ought reasonably to have been aware that his previous address was being used for this application, in itself means that his complaint shouldn't be upheld. Although I do think it is relevant to what fair compensation should be in this case.

I note that Mr S has referred to my provisional decision disagreeing that Creation had no responsibility for the broker's actions in the way that it appeared to be arguing, as this was a restricted use credit agreement, involving a pre-existing arrangement between the creditor and the supplier (who was also the broker). I remain satisfied that this is the case. However, while Mr S might prefer me to making findings regarding allegations he's made regarding the broker, I don't think it is necessary for me to do so and neither do I consider it appropriate to do so here.

I firstly say this because I have found that Creation's checks before lending to Mr S were insufficient. Secondly Mr S has made a number of serious allegations on the part of the credit broker. Yet by making this complaint to Creation rather than the credit broker, he hasn't given it the opportunity to respond to these concerns.

I don't think that it would be fair or reasonable for me to make findings against a respondent that isn't a party to the complaint, when it hasn't been given the opportunity to respond to the allegations made and where, in any event, I've already found that the party Mr S did complain to – Creation – didn't do what it is required to do. Therefore, I would suggest that Mr S complains to the credit broker if he remains unhappy at its actions.

For the sake of this complaint that is before me, Creation needed to take reasonable steps to ascertain his ability to make the monthly payments over the agreement. I'm satisfied that its attempts to do this were insufficient. I'm also satisfied that the available evidence indicates that it is more likely than not that Mr S simply didn't have the funds necessary to make the monthly payments to this agreement, without him borrowing further or it having a significant adverse impact on his financial position.

So having carefully considered everything, I'm satisfied that reasonable and proportionate checks would have alerted Creation to the fact that Mr S wasn't in a position to sustainably make the payments to this agreement.

It therefore follows that I am satisfied that Mr S wasn't in a position to repay the funds he was being advanced as result of this agreement, Creation shouldn't have lent to him and that it now ought to put things right.

Putting things right

It may help for me to explain, that where a business accepts (or we decide) it did something wrong, we'd expect the business to put the consumer in the position they would be in if that wrong hadn't taken place. And in an ideal world, we'd tell a business to put a consumer in the position they'd now be in if they hadn't been given the credit they shouldn't have. However, that's not possible in cases where funds that shouldn't have been advanced because typically those funds will have already been spent.

So we have to look at a way of asking a business to put things right in a fair and reasonable way. And where a business provided, or continued to allow a consumer to use, a credit facility which it should have realised was unsustainable, we'd typically expect it to put the consumer in the position they'd be in now if they hadn't paid any further interest and charges on that credit.

This means we'd normally expect a lender to refund the interest and charges added to any credit provided. In this case, this would result in Mr S being limited to repaying the initial £2,374.00 and all interest, fees and charges added to the account from the outset being removed.

In his response to my provisional decision, Mr S has said that I should depart from our typical approach to putting things right in his case. He has suggested that the circumstances of his case are particularly egregious, so he should be able to return the item he purchased and Creation refund his payments.

In the first instance, while Mr S has made a number of arguments why the facts and circumstances of his complaint go much further than Creation simply failing to carry out proportionate checks, as I've explained earlier on in this decision, I'm not persuaded that all of the allegations Mr S has now made took place without his knowledge at the time.

As I've explained, Mr S must have provided the address included on the credit agreement as he previously lived there and it was on the signed document, I can't reasonably say that he cannot have had any knowledge that a previous address was playing a part in his application. Equally, given Mr S knew the price of the item he was sold and his initial complaint was that he should be limited to paying this amount as he wasn't told that interest would be added once the buy now pay later period expired, I can't reasonably say that he didn't know that he was being lent more than the amount of his credit limit either.

Nonetheless, I've have given Mr S the benefit of the doubt and have upheld his complaint even though he ought to have been aware of some of the matters that he is unhappy about and still proceeded with his transaction in circumstances. In these circumstances, I think it would unreasonable in its logic and as such could not be fair and reasonable for me to now say that these same matters that I think Mr S ought to have been aware of should now result in me directing Creation to pay an increased amount of compensation.

I say this while especially mindful that Mr S has referred to the actions of the broker and as I've explained, it hasn't had the opportunity to respond. Equally, Mr S can complain to it

should he remain unhappy. It's also worth noting that Mr S' suggestion of him returning the item he purchased to Creation and it refunding his payments wouldn't take account of the fact that he's had use of the item for almost three years and it will have significantly depreciated in this period.

Indeed, such a settlement will place Mr S in a far more advantageous position, rather than in the position that he has been in as a result of having the use of the item for three years. With all of this in mind and while I'm also mindful of what Mr S has said about his personal circumstances (which I've not set out in detail as this final decision will be published), I'm not persuaded that the circumstances of this case warrant a return of part or all of Mr S' payments, a further reduction in what he owes after the interest refund, or a further payment for any distress and any inconvenience caused.

For the sake of completeness, I've also considered whether it would be fair and reasonable for Creation to remove the default it has recorded against Mr S in light of the fact that it shouldn't have lent to Mr S. But the reality here is that given I'm not requiring a write-off, or reduction in the capital amount lent here, Mr S will still have a balance left to pay even when all the interest, fees charges and Creation added his account are removed.

Furthermore, if I were to require Creation to remove the default and perhaps instead record an arrangement to pay, it could simply issue further notices of defaults and then default the account, if Mr S is late on or misses a single payment. This would result in the six years that a default could be recorded for starting again and in my view this would have a more detrimental impact on Mr S going forward.

I'm therefore satisfied that it is fair and reasonable for the default to remain for, at least, the period Mr S has an outstanding balance. Creation removing this information would require it recording information that doesn't reflect the position Mr S is in. In my view, recording such information would not only be inaccurate but it would also arguably be counterproductive and not in Mr S' interests or that of any future lender, as a future lender would not be able to take what Mr S owes Creation into account in any decision on whether to lend to Mr S.

Should Mr S consider that it would be fair and reasonable for the default, or any other adverse information recorded against him as a result of this agreement, to be removed, if and when he repays the outstanding balance, this is a matter that he should take up with Creation at that point.

I note that in his response to my provisional decision, Mr S has said that Creation isn't accurately reporting his current account status. This is a matter that Mr S will need to take up with Creation in the first instance. Although I would add that once the interest is removed from Mr S' account, Creation should accurately report what Mr S owes to credit reference agencies.

In reaching my conclusions, I've also considered whether the lending relationship between Creation and Mr S might have been unfair to Mr S under section 140A of the Consumer Credit Act 1974.

However, I'm satisfied that what I'm intending to direct Creation to do (as set out below) will result in fair compensation for Mr S given the overall circumstances of his complaint. I'm also satisfied that, based on what I've seen, no additional award is appropriate in this case.

Fair compensation – what Creation needs to do to put things right for Mr S

Having thought about everything, I'm satisfied that Creation should put things right for Mr S by:

- removing all interest, fees and charges added to his account from the outset. The payments Mr S made should be deducted from the new starting balance – the £2,374.00 originally lent.
- Creation should then contact Mr S to arrange a suitable repayment plan for the amount that will be left to repay once the interest, fees and charges are removed from Mr S' current balance. Mr S has indicated that his health is impacting his ability to repay what he owed. Mr S is encouraged to get in contact with Creation regarding this and cooperate with any assessment of what, if anything, he is able to pay to clear what is owed.

My final decision

For the reasons I've explained above and in my provisional decision of 31 March 2026, I'm upholding Mr S' complaint. Creation Consumer Finance Limited should now put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before **21 May 2026**.

If Mr S rejects my final decision, or does not accept it before **21 May 2026** it will not be binding on Creation. Should Mr S seek to accept the decision at a later date, it will be a matter for Creation to decide whether it is willing to settle the complaint in line with my direction set out above.

Jeshen Narayanan
Ombudsman