

## **complaint**

Mr J complains that Creation Consumer Finance Ltd cancelled his direct debit resulting in arrears charges and adverse information being added to his credit record.

## **background**

Mr J signed an agreement with Creation Consumer Finance to finance the purchase of a sofa. This was arranged through a credit intermediary. He signed a form establishing a direct debit payment. Mr J moved house and had the sofa delivered to his new address which he had told the credit intermediary about. It seems the first direct debit payment was due to be debited on day 15 of the month. Creation Consumer Finance say that on day 19 it was told it had been cancelled by the payer. It sent letters about arrears to the old address of Mr J, then a default notice and referred his case to a debt collector. When Mr J found out about this he offered to make up all the outstanding payments to Creation Consumer Finance. He told it that his bank said that the direct debit was cancelled by the originator on day 23 of the month. Creation Consumer Finance said it could not recall the debt and he would have to deal with the debt collection agent. Mr J said that he was concerned at the impact on his credit record of this and has raised a complaint and not made any further payments.

The adjudicator recommended that the complaint should be upheld. She said that:

- There was conflicting information about why the direct debit was cancelled and she was unable to conclude who was responsible for this.
- Mr J did not tell Creation Consumer Finance about his changes of address as set out in the terms of the agreement.
- The credit intermediary was an agent of Creation Consumer Finance and should have separately told it about the change of address.
- Creation Consumer Finance had made errors in handling the account and ought to have made more attempts to contact Mr J.
- It should also have recalled the account from the debt collector.
- Mr J had provided information to show that he had access to funds to make the payments.
- Mr J had offered to bring the account up to date and there was no reason for him to cancel the direct debit.

She recommended that all late charges and fees be removed from the account and Mr J be paid £50 in compensation for distress and inconvenience. She also said that all adverse information should be removed from his credit file provided Mr J brought his account up to date within one month of the date he settled this complaint.

Creation Consumer Finance did not agree. It said, in summary, that it had not made an error with the direct debit and that Mr J had a responsibility to ensure he made payments in line with the agreement. It acknowledged that, although it had no obligation to recall the debt from its debt collection agent, had it done so the outcome for Mr J would have been improved. As a result it offered to refund the arrears charges but said that it had an obligation to record Mr J's payment history accurately with credit reference agencies.

Mr J said that he wanted to receive more than £50 in compensation given the time that this had taken to resolve.

## **my findings**

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

I have considered the information provided about the direct debit carefully. I note that Creation Consumer Finance has said that the information from Mr J's bank cannot be correct as it had received information prior to day 23 of the month in question to say that the direct debit was cancelled by Mr J. But, Mr J has a validated report from his bank saying that the originator cancelled the direct debit. I am unable to conclude which version is correct.

I see no reason for Mr J not to have otherwise made the payments and he has continued to express a willingness to do so provided the issue with his credit record is resolved. He did not tell Creation Consumer Finance of his new address. But, in my view the credit intermediary should also have told Creation Consumer Finance. I also note that Mr J appeared to make the first two payments to the agreement in a cash deposit as it was three months before the first direct debit was due to be taken. I accept that he was then less likely to notice that the payments were not being made. When the issue came to his attention he genuinely thought that an error with the direct debit had been made by Creation Consumer Finance.

In this case I do not consider that it is reasonable for Mr J's credit record to be adversely affected. I agree with the adjudicator's view about the way Creation Consumer Finance has handled this case and with the award she has recommended except that, in view of the amount involved to bring the account up to date, I have extended the time period allowable for Mr J to bring his account up to date. I do not consider that the time to resolve this case has been unreasonable given the clear confusion about the direct debit and so do not award any further compensation for inconvenience than that suggested by the adjudicator.

## **my final decision**

In light of the above my decision is that I uphold this complaint. In full and final settlement I order Creation Consumer Finance Ltd to:

- 1) Refund all late fees and arrears charges to Mr J's account.
- 2) Pay, not credit Mr J with £50.
- 3) Remove all adverse information from Mr J's credit record arising from this complaint provided he brings the account up to date within two months of the date that he signs the settlement form.

Michael Crewe  
**ombudsman**