

complaint

Miss D complains that a loan made to her by Creation Consumer Finance Ltd was unaffordable and amounted to irresponsible lending. She wants any outstanding amount on the debt written off and any default removed from her credit file.

background

Miss D says in early 2015 she obtained a fixed-sum loan agreement for £15,000. She tells us at the time she already had another personal loan as well as an overdraft facility. Miss D says she'd lost her full-time job in December 2014. Since when she's worked on an ad hoc basis but her income is not stable. She feels she's been trapped in a spiral of debt and has had to take other loans to repay the Creation loan.

Creation told us that at the time of the loan Miss D's application had stated she was in full time employment with a monthly income in excess of £2,800 and a rent/mortgage of £1,100 per month. In addition it had checked Miss D's credit file and applied its own internal lending criteria. As Miss D met the relevant criteria the loan was granted.

The adjudicator did not recommend the complaint should be upheld. She said there was nothing to show that Miss D had informed Creation she'd lost her full-time job and her income wasn't fixed. She felt Creation had carried out adequate checks to ensure the loan was affordable. And she wouldn't be asking it to write off the outstanding debt or remove the default.

Miss D didn't accept this outcome. She maintained the loan had been unaffordable and made irresponsibly. As it's not been possible to resolve the complaint an ombudsman has been asked to make the final decision.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I'm sorry to see Miss D has experienced a lengthy period in which she's faced financial difficulties. It can't be easy and I can see it's caused her a good deal of anxiety and upset.

As this complaint is about irresponsible and/or unaffordable lending I'll explain in detail our approach to such cases. Prior to offering credit, a lender is required to make adequate checks. These should be sufficient and proportionate to a number of factors including, but not limited to, the size of the loan and the amount of periodic payments. There's no set list of checks - each business can decide what information it requires. And it can take into account information which a customer has provided. It's important to understand that the point at which the lending decision is judged is when the loan was made. And additional credit taken on after a loan is made or other changes of circumstance aren't matters which Creation could have known about in making the lending decision.

The evidence shows Miss D's application stated she was in full-time employment with a net monthly income of just over £2,800 and that she was paying rent of £1,100 per month.

There's also an additional affordability assessment the details of which the adjudicator included in her view - so I needn't repeat this. This was based on Creation's check upon Miss D's credit file, the information provided by Miss D and an assumed figure for living expenses in addition to the rent figure. This led to a calculation that Miss D's disposable income was over £800 per month. And the check had shown she'd had no default or County Court Judgments in the previous six years. Her credit score passed Creation's limit. Whilst Creation does not appear to have identified another loan which Miss D was paying at £235 per month it's unlikely this would have affected the lending decision. It still left an apparently substantial disposable income and the other loan was paid up to date.

Miss D has provided evidence that her income in the months leading up to the loan - apart from December when she received additional payment in relation to the termination of her employment - was usually only around £2,200 per month and her rent was £1800 per month. Additional expenditure meant her outgoings exceeded her income.

Whilst I've seen evidence in support of these figures Creation is reasonably able to rely on information supplied by a customer as well as its own checks. And I've seen no evidence that Miss D informed Creation of the change in her employment situation or that her rent was higher than stated in her application.

I believe Creation carried out adequate checks and based on those and information provided by Miss D the decision to lend to her was not irresponsible. Nor did Creation have grounds to believe it was unaffordable based on the information it had and which it was reasonable to rely on.

So whilst I know it will disappoint Miss D I'm not going to uphold this complaint. And I shan't be asking Creation to write off the outstanding balance or remove any default. But if Miss D wishes to contact Creation with a view to making affordable arrangements for the repayment of this loan I'd expect it to treat her fairly and with due consideration and forbearance.

my final decision

For the reasons given above my final decision is I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss D to accept or reject my decision before 17 February 2019.

Stephen D. Ross
ombudsman