

## **complaint**

Mr W complains that Creation Financial Services Limited didn't receive his payment in settlement of his car loan and recorded a default on his credit file.

Mr W would like compensation.

## **background**

Mr W requested a settlement figure from Creation to repay a car loan. He sent £829.34 to Creation and this was debited from his account 21 September 2016. Mr W then discovered through a third party that Creation had recorded a default on his credit file.

He complained to Creation. Creation upheld Mr W's complaint. It said that the payment hadn't been allocated due to a system error. It said Mr W's payment had since been allocated to his account and his credit file amended to reflect the correct settlement date. Creation offered £30 compensation to Mr W. And subsequently increased this to £100 in its letter dated February 2017.

Mr W wasn't happy with the compensation offered by Creation. As a result of the default he thinks his credit card limit was reduced, his car insurance premium increased and he couldn't open a limited company account which meant he had to rely on his partner to help pay living costs and bills.

Mr W brought his complaint to this service.

Our investigator didn't think Creation's offer of £100 was fair and thought Creation should offer a further £150. But the investigator didn't think the insurance premium went up because of the default.

Subsequently Creation and Mr W agreed to settle the dispute for £250.

However, Mr W asked for an ombudsman's decision because Creation took some time to pay the monies and, when it did, it didn't pay the full £250 agreed. It was £70 short. Creation accepts that this is an oversight. But it wants Mr W to accept the offer before making payment.

## **my findings**

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

Creation accepts that due to a system error Mr W's payment wasn't correctly allocated to repay Mr W's loan. And Creation incorrectly recorded on Mr W's credit file.

The only question for me to determine is whether £250 fairly compensates Mr W for his trouble and upset. Before doing so I must explain that it's not for this service to punish financial institutions for poor service. That is for the Financial Conduct Authority to determine.

I sympathise with the position Mr W finds himself in. He asked for a settlement figure to repay his loan. He followed Creation's instructions to repay it only to later find out through a third party that the money he'd sent hadn't been allocated in repayment of his loan and that Creation had recorded a default. Creation accepts that it was at fault.

Through this service Mr W thought he'd agreed a compensatory amount with Creation but having done so, he now finds himself coming back to this service when Creation didn't pay the full amount agreed

I accept that Creation accepts that this was an oversight. But I think this resulted in Mr W suffering yet more distress and inconvenience just when he thought he'd finally resolved matters.

The purpose of a compensatory award must reflect the impact that Creation's mistake has had on Mr W. The compensation should put Mr W in the position he would have been in had Creation's mistake not happened.

Mr W explained that during the time the default was recorded on his credit file he was declined a credit card, had a credit card limit decreased, found out his car insurance premium had increased and that he couldn't open a limited company bank account and had to rely on his partner to help pay bills and living costs pending removal of the default.

In terms of the increase in car insurance premium, I agree with the investigator that it's not likely that insurers would have looked mainly at his credit rating to determine the level of premium. I agree it's more likely that they would look at Mr W's driving history. I can't say that the increased car insurance premium was down to Creation's mistake.

I think it's reasonable to assume that the default contributed to Mr W's existing credit card provider lowering his credit limit. Mr W provided a letter dated February 2016 from his existing credit card provider saying that Mr W's credit limit had decreased in response to them "regularly monitoring" his credit card account and based "on information from credit reference agencies". I think it's reasonable to assume that the default contributed to this.

In terms of Mr W not being able to open a limited company account and having to rely on his partner's assistance, I accept that this has caused Mr W and his partner inconvenience.

I've taken into account his partner's email to this service in late May 2017. She feels it shouldn't matter that she had money and was able to help out. Unfortunately I disagree. Because his partner was able to help, Mr W was able to minimise his loss without having to incur any further financial commitments to tide him over whilst he waited for his credit rating issue to be resolved.

Taking everything into consideration I don't think that £250 fairly compensates Mr W for Creation's error. I think that Mr W should be paid £350 and that he should receive a written apology from Creation for the upset caused to him. I understand that £180 has already been paid to Mr W and therefore he should receive an additional payment of £170.

### **my final decision**

My final decision is that I'm upholding Mr W's complaint. I order Creation Financial Services Limited:

- To pay a further £170 compensation to Mr W for his trouble and upset (and so that the total compensation including that already paid is £350); and
- To write a written apology to Mr W.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 2 October 2017.

Michelle Hayward  
**ombudsman**