

## **complaint**

Mr P complains that Creation Financial Services Limited ("Creation") have added too much interest to his account with them and should have accepted a settlement offer he made to clear his debt.

## **background**

Mr P has had an account with Creation since October 2003 and since 2007, when he told them he was in financial difficulties, he has been making reduced payments. In February 2017 Mr P's arrangement to make reduced payments ended and he contacted Creation and made an offer to settle his debt but he is upset that they have refused to accept it. He's also made a complaint about Payment Protection Insurance (PPI) that he had with Creation but that is being dealt with separately by this service.

Mr P is upset that whilst he's been in an arrangement to make reduced payments, Creation have continued to ask him to pay interest and charges on his account. He doesn't think that's helped him to get out of debt and he thinks they should have been more understanding.

Creation said that they applied interest to his account when his arrangement to make reduced payments finished in February 2017 as they were waiting for Mr P to provide income information to show an arrangement should continue. They said the interest they had charged earlier had been correctly applied and that they didn't have to cancel interest and charges when a customer was in an arrangement of this nature.

Our investigator explained that the rules we are bound by at this service prevented us from looking at the management of his account before March 2011. So she looked at what had happened since that time and she noted that whilst Creation were understanding in helping Mr P by agreeing a repayment plan, they could have been more helpful and stopped interest and charges. She explained that there were times when the interest being charged was almost as much as the repayments that Mr P was making and she explained that this meant his balance was barely reducing. She thought that in these circumstances it would have been fair for Creation to stop making charges and applying interest and she noted that at times since 2011 they had done so. She could not understand why this hadn't continued and she thought it would have helped if it had. So she suggested that Creation refund all the interest charged on the account from April 2011 to March 2017 but not for August and September 2011 when she noted a repayment plan was not in place.

Creation agreed with the investigator's suggested resolution and provided a calculation of the interest and charges that would be repaid. But Mr P thought their calculation was too low and he asked for a final decision by an ombudsman.

## **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 agree with the investigator's view on this complaint and for similar reasons. Please let me explain why.

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.

The investigator explained that the rules we are bound by state that this service can only look at complaints raised within six years of the issue being complained about. So I've only been able to look at issues with Mr P's account since March 2011.

*the interest charges*

Creation didn't have to stop charging interest or making charges on the account when they entered into any of the financial arrangements they made with Mr P to make reduced payments. But they did need to be sympathetic and understanding and their actions should have helped him to reduce the debt and not make it any worse.

But in this case the continued application of interest and charges meant that Mr P wasn't able to make inroads into the debt he held with them and I think it would have been reasonable in those circumstances, to suspend interest and charges.

I note the exception that the investigator has highlighted in August/September of 2011 when the reduced payment arrangement had ended but Creation had not been provided income details to make a further assessment. And I agree that during this period it was fair for interest to be charged.

And I also agree with the investigator that in 2017, when the financial arrangement came to an end again and Mr P made a settlement offer, it should have been clear to Creation that Mr P was still in financial difficulties. That's why he was making an offer. So it's reasonable to suggest interest and charges should be suspended during this period too.

I've looked at the repayment that Creation have suggested is due to Mr P as a result and I agree with their calculation. I can understand that Mr P may have thought the interest was greater but having looked through the statements he has provided us I can see that there were periods when interest was not being charged and that charges were repaid in October and November 2014.

*the settlement offer*

Creation don't have to accept an offer of settlement. It's a commercial decision that they are free to make. I see that the debt has now been sold on and Mr P may wish to approach the new owner and try to make a further settlement.

**my final decision**

I uphold this complaint in part and I ask Creation Financial Services Limited to:

- refund the interest and charges on the account from April 2011 to March 2017 less anything accrued in August and September 2011
- recalculate the outstanding balance to reflect this
- confirm that new balance to Mr P and inform the new owners of the debt about this

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 7 July 2018.

Phil McMahon  
**ombudsman**