

complaint

Mr W complains that Creation Financial Services Limited wrongly continued to pursue him for payment and made adverse entries on his credit file when he had paid off a loan. He was then refused a second loan he needed to deal with urgent family matters.

background

Mr W took out the loan to buy some furniture in 2010 and the furniture company sold him PPI to cover it. In 2013 he complained to the furniture company that the PPI had been mis-sold, but the company disagreed. Mr W wanted to pay off the loan account, but deducted the PPI payments he had made from what was owed. Creation therefore did not consider that the account had been settled and initially continued to seek payments and made adverse entries on his credit record.

After Mr W complained Creation did agree to cancel the PPI policy and, as a goodwill gesture, offered to backdate that to January 2013 thus reducing the amount it expected Mr W to pay. In July 2014 it agreed to accept a lesser amount in settlement and to amend Mr W's credit file if he paid that: which he did. But Mr W remained concerned about the way matters had been handled and the problem he had had when seeking the second loan.

The adjudicator recommended that the complaint was upheld in part and considered that an offer of £45 in compensation was fair and reasonable, taking into account the other action Creation had already taken.

Mr W disagreed. He still felt he had been treated very badly and unfairly and he had been unable to get a loan he needed urgently only because of the entries made by Creation. That had caused serious financial stress to him and his family. He said it did not seem that the fact that mis-sold PPI should be refunded had been taken into account by the adjudicator.

my findings

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

Mr W is correct that mis-sold PPI will usually be refunded. But this complaint is about Creation Financial Services Limited, and Creation did not sell the PPI to Mr W: it looks as though it was sold to him by the furniture company. *If* Mr W was due a refund of PPI it would be the furniture company which would need to make that, but so far it has disputed that the PPI was mis-sold. Mr W has a separate complaint about mis-selling of the PPI by the furniture company lodged with the Financial Ombudsman Service: a separate decision will be made about that.

So, in considering Mr W's complaint about Creation at this point, I cannot take any view as to whether or not the PPI was mis-sold. When Mr W wished to pay off the loan, Creation was entitled to expect him to pay enough to cover all the PPI payments which had been due up to the point when he cancelled the PPI (as well as the money he had borrowed). When he did not do that, then he was behind with his payments and Creation was entitled to report that to credit reference agencies.

I can see, from the evidence Mr W has provided, that the refusal of the second loan probably was because of the entries made by Creation – as his credit record otherwise looks good. I

can also understand from what he says that, in the particular circumstances, that refusal would have been particularly disappointing and difficult.

I have thought carefully about whether and to what extent that upset is because of any failure by Creation. Generally I think Creation dealt with matters reasonably well, and that it would not be fair for me to hold it responsible for the difficulty Mr W had when the other loan was refused. By mistakenly expecting Creation to refund the PPI payments he had already made, Mr W had not made on time all the payments which were due to Creation. Creation had tried to explain the situation to Mr W in late 2013, and did backdate the cancellation of the policy which meant Mr W owed less. But it seems Mr W still did not pay at that point. It would have been better if he had done so, with a view to getting the PPI refunded by the furniture company later if his complaint to us about that was upheld. I might have expected him to realise that not doing so might affect his credit record. Instead he only paid after discovering the entries on his credit record and after the amount owing had been reduced further and Creation had agreed to amend the credit record.

Creation's initial explanation to Mr W could have been rather better. But I think the offer of a payment of £45 is fair and reasonable, alongside the actions Creation have already taken, for any trouble and upset caused by that.

my final decision

My decision is that I uphold the complaint in part as described above. In full and final settlement Creation Financial Services Limited should pay Mr W £45.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr W to accept or reject my decision before 15 June 2015.

Hilary Bainbridge
ombudsman