

Complaint

Mr I has complained that Creation Consumer Finance Limited (“Creation”) irresponsibly provided him with an unaffordable credit account. He’s said that it ought to have seen that he was using a high level of credit and payday loans.

Background

Mr I was provided with a credit account, with a credit limit of £1,350.00, in January 2018.

One of our investigators reviewed what Mr I and Creation had told us. And she thought that Creation didn’t do anything wrong when providing Mr I with his credit account. So she didn’t uphold Mr I’s complaint. Mr I disagreed, so the case was passed to an ombudsman for review.

My findings

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

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Mr I’s complaint.

Having carefully considered everything provided, I’m upholding Mr I’s complaint. I’ll explain why in a bit more detail.

Creation needed to make sure that it didn’t lend irresponsibly. In practice, what this means is Creation needed to carry out proportionate checks to be able to understand whether Mr I could afford to repay before providing him with a credit card.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

The credit account Mr I was provided with had a credit limit of £1,350. And as this was a revolving credit facility, Creation was required to understand whether Mr I could repay around £1,350 within a reasonable period of time.

Creation says that it would have asked Mr I to confirm his income and that it carried out a credit check. It has said that Mr I declared that he earned just under £20,000 and the credit checks showed that Mr I had little in the way of existing credit commitments. Mr I disputes this and says that he’d had payday loans.

I've carefully thought about what the parties have said. The first thing for me to say is that Mr I has provided us with extracts from his credit file and I'm prepared to accept that he did have some credit commitments at the time and payday loans. However, the information Mr I has provided does show that his existing commitments weren't high and that they were also decreasing. So I'm satisfied that this information doesn't directly contradict the information Creation obtained.

In any event, having looked at copies of the bank statements for the account Mr I has provided, I can't see anything within them which clearly demonstrates that Mr I wasn't in a position to make the monthly repayments required to clear the balance on this account within a reasonable period of time. If anything the information provided shows the opposite was the case at least at the time the account was approved.

I accept that Mr I's full circumstances may not be reflected in the information Creation gathered or in the information he's now provided. But bearing in mind what shows in this information, I can't reasonably say that further checks would have prevented Creation from providing this credit account to him.

I'd also add that it's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong. And, in this case, I don't think that Creation did anything wrong in deciding to lend to Mr I – having considered the information Mr I has provided, I don't think this information would have made a difference given Creation's lack of previous history with Mr I. So overall I don't think it was unreasonable for Creation to provide this credit account to Mr I.

As this is the case, I'm not upholding Mr I's complaint. I appreciate this will be very disappointing for Mr I - especially as he says that he's had a different complaint upheld. But I hope he'll understand the reasons for my decision in this particular case and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mr I's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr I to accept or reject my decision before 27 November 2023.

Jeshen Narayanan
Ombudsman