

The complaint

Mr I is unhappy that Creation Consumer Finance Ltd (Creation) refused his application for credit and haven't provided a sufficient reason why.

What happened

In April 2022, Mr I applied for a finance agreement with Creation to make a purchase with a third-party retailer. The application was subsequently declined. Mr I raised a complaint with Creation and wanted to know precisely why it had declined his credit application and whether this would impact any future applications he may make in the future.

Creation issued its final response to Mr I's complaint on 20 April 2022. In this it explained the application was declined as it didn't meet Creation's internal lending criteria and it doesn't have to disclose what makes up its internal lending criteria, as this is business sensitive information. Creation clarified that the application would appear on Mr I's credit report, but the result of it wouldn't.

Unhappy with the outcome, Mr I referred his complaint to our service. He said he has a perfect credit score and had never been refused credit previously. Therefore, he wanted to understand exactly why he had been declined. Mr I said Creation saying the application didn't meet its internal lending criteria, didn't explain anything.

One of our investigators considered the complaint and said Creation isn't obliged to give a specific reason for its decision to decline Mr I's application, but Creation did explain the application didn't meet its internal lending criteria. The investigator also said lending decisions are usually based on several factors and every lender will assess these differently. Given this, Creation hadn't acted unreasonable in making the decision to decline Mr I's application.

Mr I disagreed and said he should be given the reasons why he didn't meet Creation's internal lending criteria. As Mr I disagreed, the complaint has been passed to me to decide.

What I've decided – and why

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

I would also like to point out 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.

Creation is entitled to set its lending criteria, as this is a commercial process. My role isn't to comment on commercial decisions or to tell Creation how to set its lending criteria. I can consider whether Creation has applied its lending criteria fairly.

Creation has provided evidence of the application Mr I made in April 2022. This explains a specific internal lending rule resulted in the application being declined. I wouldn't expect Creation to share details of what its lending criteria is, as like I've said above, that's sensitive information that could be used by consumers to manipulate their credit applications.

Where Creation decides not to lend, the Standards of Lending Practice explain that it should provide the primary reason why. I think Creation has done that here. It has explained that a specific internal lending rule meant the application didn't meet its criteria and was therefore declined. I do acknowledge why Mr I would like further clarification, but Creation doesn't have to give detailed reasons and I'm satisfied what it has provided is sufficient in the circumstances.

Overall, I'm not persuaded that Creation acted unreasonably when declining Mr I's application and there doesn't appear to be anything to suggest Creation applied its lending criteria unfairly.

I've also considered whether Creation should remove the application from Mr I's credit file. I note Creation has explained the results of the application wouldn't appear. But as the application itself is a true and accurate reflection of what happened, I believe it should show as being carried out.

My final decision

I don't uphold Mr I's complaint against Creation Consumer Finance Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr I to accept or reject my decision before 2 August 2023.

Paul Blower
Ombudsman