

The complaint

Mr H complains that he was initially approved for credit with Creation Consumer Finance Ltd following a soft search but when he made a full application he was declined, and a hard search was left on his credit file. Mr H wants Creation to remove the hard search to correct his credit rating.

What happened

Mr H wanted to purchase an item from a retailer who was offering interest free credit with Creation for 12 months. He completed an initial application online and a soft search was carried out. Following this Mr H was initially approved for credit.

When Mr H made his full application for credit, it was declined. Mr H complained to Creation. He said he had felt humiliated and embarrassed in store and he wanted the hard credit search removed to enable his credit rating to go back to its previous level.

In its final response, Creation said it wasn't obliged to disclose the exact reason why it had refused the application but said that in this case Mr H's application did not meet its internal lending criteria. Creation said that it didn't have to disclose what makes up its internal lending criteria and could not give Mr H any more information. Creation said that the application involved a hard credit search and that this would appear on Mr H's credit file. It said that Mr H was given prior notification that the hard search would be left on his credit file subject to submitting an application.

Mr H remained unhappy and brought his complaint to this service. He said he would not have continued with the application if the soft search hadn't shown that he was likely to be approved for credit.

Our investigator upheld the complaint. They asked Creation to provide evidence of the reason for decline and the data supporting this to show why the lending criteria hadn't been met and that the decision to decline had been reached fairly. Creation provided the reason for decline but failed to provide the data supporting it. The investigator said that Creation hadn't been able to show that Mr H was treated fairly during the application process and awarded compensation of £100.

Creation didn't agree. It said it had provided the reason for the application being declined and wasn't able to provide any further information.

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.

Mr H has said that he understands that Creation isn't obliged to provide specific reasons for declining his application. But he's understandably frustrated because the initial soft search indicated that he would be approved for credit. He's also concerned about the impact that the hard search has had on his credit file.

I've reviewed the letter which Creation sent to Mr H explaining the reasons for declining his application. It said that Mr H's application didn't meet its internal lending criteria. Creation doesn't have to disclose its internal lending criteria to Mr H as this is considered to be business sensitive information.

However, Creation does have to show to this service that it declined the application fairly. This service asked Creation to provide information from its lending department indicating the exact reason the application failed. This service also explained to Creation that the information requested wouldn't be shared with Mr H because it is business sensitive information.

Creation provided a response to the request from this service. I've reviewed this but I don't think what Creation has provided is sufficient to show that it acted fairly when it declined Mr H's application. This is because Creation hasn't supplied any data to support the reason it provided. So, I can't be certain that the application was correctly declined.

Because of this, I agree with the investigators view that Creation should pay compensation to Mr H.

I appreciate that Mr H wants the hard search removed. However, I can't fairly ask Creation to do this. This is because, having reviewed the information that Creation provided to Mr H during the application process, I'm satisfied that it was made clear to Mr H that a hard search would be carried out if he submitted an application. I understand that Mr H feels frustrated that the initial soft search indicated that his application would be successful. However, I haven't seen anything to suggest that Creation guaranteed that the full credit application would be successful. So, I can't say that Creation has made an error here.

Putting things right

For the reasons I've given, I'm not persuaded that Creation has provided evidence to show that it acted fairly when it declined Mr H's application. I'm therefore requiring Creation to pay compensation of £100 to Mr H.

My final decision

My final decision is that I uphold the complaint. Creation Consumer Finance Ltd must pay compensation of £100 to Mr H.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 5 February 2024.

Emma Davy
Ombudsman