

## **Complaint**

Miss M has complained that Creation Consumer Finance Ltd (“Creation”) irresponsibly provided her with an unaffordable credit account.

She’s said that it ought to have seen that she already had multiple accounts at the time of her application.

## **Background**

Miss M was initially provided with a credit account, with a credit limit of £2,000.00, in January 2021.

One of our investigators reviewed what Miss M and Creation had told us. And he thought that Creation didn’t do anything wrong when providing Miss M with her credit account. So he didn’t uphold Miss M’s complaint.

Miss M disagreed with our investigator’s assessment and asked for her case to be 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.

Having carefully considered everything provided, I’m not upholding Miss M’s complaint. I’ll explain why in a bit more detail.

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 Miss M’s complaint.

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 Miss M could afford to repay before providing her 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 Miss M was provided with had a credit limit of £2,000.00. And as this was a revolving credit facility, Creation was required to understand whether Miss M could repay around £2,000.00 within a reasonable period of time.

Creation says that it would have asked Miss M to confirm her income and that it carried out a credit check. It has said that Miss M declared that she earned £40,000.00 and the credit checks showed that Miss M was managing her existing credit commitments reasonably. Miss M disputes this and says that she was overdrawn on her current accounts.

I've carefully thought about what the parties have said. The first thing for me to say is that Miss M may have been overdrawn on her current accounts but this doesn't in itself mean that she shouldn't have been lent. This is especially given what the credit check Creation carried out showed and what she declared at the time of her application.

I do think that Creation's checks did go far enough in the circumstances. But for the sake of completeness, even though I don't think that Creation needed to do this, I have, in any event, looked at copies of the bank statements for the account Miss M's salary was being paid into. To be clear I've done this in order to reassure Miss M that I've looked at what she's provided not because I think that Creation had to obtain this information when it lent to Miss M.

I've looked at the bank statements up to December 2020, as Miss M's January 2021 one will not have been available at the time she applied for this credit facility. Having looked at these statements, this confirms that Miss M was overdrawn in the way that Creation's credit checks showed.

But even if it had gone into finding out more about Miss M's account, I think that Creation is likely to have concluded that Miss M's spending, rather than her contractual commitments which were responsible for her being overdrawn, if it had seen this statement. I don't think that seeing this statement would have changed Creation's decision to lend to Miss M, or would have led to it ask for statements from other accounts.

I accept that Miss M's full circumstances may not be reflected in the information Creation gathered or in the bank statements for Miss M's main account. For example, I know that Miss M successfully applied for another loan just before applying for this account. But Creation didn't know this and having considered Miss M's main account statements, I can't reasonably say that further checks would have alerted Creation to this loan either.

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 Miss M – it carried out proportionate checks which showed that the repayments for this account were affordable.

Equally, having nonetheless considered some of the additional information Miss M has provided, I don't think this would have made a difference - particularly given Creation's lack of previous history with Miss M. So overall I don't think it was unreasonable for Creation to provide this credit account to Miss M.

As this is the case, I'm not upholding Miss M's complaint. I appreciate this will be very disappointing for Miss M. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

### **My final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 12 February 2024.

Jeshen Narayanan  
**Ombudsman**