

## **Complaint**

Mrs M has complained about a loan Creation Consumer Finance Limited (“Creation”) provided to her.

She says she had significant credit card debt and Creation had carried out enough checks it would have seen the loan was unaffordable.

## **Background**

Creation provided Mrs M with a loan for £6,400.00 in March 2022. This loan was due to be repaid in 60 monthly instalments of £141.54. One of our investigators reviewed what Mrs M and Creation had told us. And she didn’t recommend that Mrs M’s complaint be upheld. Mrs M disagreed and asked for an ombudsman to look at her complaint.

## **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 Mrs M’s complaint.

Having carefully considered everything provided, I’ve not been persuaded to uphold Mrs M’s complaint. I’ll explain why in a little 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 Mrs M could afford to repay before providing this loan.

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.

Creation says it agreed to Mrs M’s application after she provided details of her monthly income and some information on her expenditure. It says it cross-checked this against information on a credit search it carried out and all of this information showed Mrs M could afford to make the repayments she was committing to. On the other hand, Mrs M has said she was in financial difficulty and shouldn’t have been lent to.

I’ve carefully thought about what Mrs M and Creation have said.

The first thing for me to say is that Creation has suggested it carried out credit searches which showed that Mrs M didn't have that much in the way of existing credit commitments and what she did have was relatively well maintained.

I accept that Mrs M appears to be suggesting that her actual circumstances may not have been fully reflected either in the information she provided, or the information Creation obtained. I know that Mrs M says that she had defaulted on previous credit commitments. But I don't think that Creation was aware of this as I think it's unlikely that Mrs M would have been given an APR of 12.4% had Creation been aware of her previous difficulties with credit.

I've also seen that Mrs M believes that Creation had no actual evidence of her situation at the time. She's also said that a lender should ask for bank statements before providing a loan of this amount and that she was using her overdraft most months.

However, I don't think that the amount being advanced in itself meant that bank statements should have been requested from Mrs M in this instance – particularly given the low monthly payments required and Mrs M didn't, from Creation's credit searches at least, appear to be significantly indebted or have any recent significant adverse information recorded against her.

Furthermore, there's a suggestion from Mrs M's initial complaint that this loan was taken out for consolidation purposes. And Creation could only make a reasonable decision based on the information it had available at the time. Mrs M could have used the funds from this loan to have cleared what she owed on more expensive forms of credit - such as her overdraft.

Creation couldn't have been expected to know that Mrs M would go on to, as she says, re-establish balances on her credit cards and overdraft – all it could do was take reasonable steps and rely on assurances from Mrs M that she would consolidate debts with the funds from this loan. So I'm satisfied that the proceeds of this loan could and should have been used to reduce Mrs M's balances on more expensive credit and Creation simply wasn't in a position to close Mrs M's accounts either.

Equally, this was a first loan Creation was providing and there wasn't a history of Mrs M obtaining funds and then failing to consolidate debts elsewhere in the way she committed to either. So Creation was reasonably entitled to believe that Mrs M would be left in a better position after being provided with this loan. In these circumstances, I don't think that Creation's decision to lend was unreasonable.

As this is the case, I don't think that Creation did anything wrong when deciding to lend to Mrs M - it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable, although I do accept that Mrs M doesn't agree.

So overall I don't think that Creation treated Mrs M unfairly or unreasonably when providing her with his loan. And I'm not upholding Mrs M's complaint. I appreciate this will be very disappointing for Mrs 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 Mrs M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 20 November 2023.

Jeshen Narayanan  
**Ombudsman**