

The complaint

Mr C complains about the way Creation Consumer Finance Ltd administered his running account credit agreement.

What happened

In October 2022 Mr C bought an appliance from a supplier I'll call R. He funded the purchase using a running account credit agreement from Creation which was set up by R at the time of the purchase.

Mr C said the appliance arrived damaged, He said R's delivery driver offered him the choice of a 20% discount or a replacement. Mr C said he chose a replacement but had difficulty getting hold of R to arrange this.

Mr C said having grown frustrated with R he cancelled the direct debit he'd set up to make repayments on the account in November 2022. Shortly after this, in December 2022, he spoke with Creation. He said he was told a "hold" had been placed on his account, so he didn't think he was required to make any payments until his dispute had been resolved.

The issue was eventually resolved by R in around April 2023 and a replacement appliance was delivered along with compensation of £50. In May 2023 Mr C repaid what he owed and restarted his monthly direct debit again. He said having done this he noticed the account was in arrears and interest had been applied.

Mr C complained to Creation.

Creation said it had applied interest in accordance with the terms of Mr C's loan account. It said Mr C had stopped making payments, so his account went into arrears.

Dissatisfied Mr C referred his complaint to this service.

An investigator thought Creation had treated Mr C unfairly. He said Creation had told Mr C in a telephone call in December 2022 that it had put a hold on his account and then failed to tell him when the hold had been disappplied. He said this meant Mr C would likely have thought that he didn't need to make any payments until his dispute had been resolved. He asked Creation to instruct the credit reference agencies to remove any adverse information recorded about his account from December 2022 and pay Mr C compensation of £100.

Creation disagreed with the investigator. It said its operative made it clear to Mr C during the telephone call in December 2022 that missing payments could have an adverse effect on his credit file. In response, the investigator pointed out that while this was discussed at the beginning of the call, the operative later explained that a hold had been placed on the account for two weeks and that an instruction had been left with the complaints team to extend this. So, he still thought Mr C had been misadvised.

Creation asked the investigator to pass the complaint to an ombudsman for further review.

Mr C said he was happy with the investigator's recommendation; however, the investigator

did have to point out that it didn't include a refund of the interest he had paid on the account during the period of missed payments. He said this had been applied in accordance with the terms of the account and he couldn't reasonably ask Creation to refund this.

The complaint was then passed to an ombudsman.

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.

Looking at Mr C's credit agreement, there were no provisions within the terms that permitted him to withhold monthly repayments in the event there was a dispute about the goods the credit had financed. So, a failure to make monthly payments on time, without prior agreement with Creation, and before he had even made it aware of his problem with the goods was something Creation might reasonably have reported to the credit reference agencies.

That being said I do find that following his call with Creation in December 2022, Mr C would have been left with the impression that he did not have to make a payment for at least two weeks as the operative said she had put a "hold" on the repayments for that period of time.

The adviser also said that the hold would expire but "*obviously we would need to extend that*". I find the language used by the operative implied that Creation would do something at the end of the two-week hold. From what I've seen it did not contact Mr C at the end of this period. So, having heard no more from Creation and having been told that it was Creation and not him, that needed to do something, I find it was reasonable for Mr C to have assumed that the hold had been extended. But even if I didn't think that was a reasonable assumption to have made, the position was at best ambiguous, and it wouldn't be fair for Mr C to be disadvantaged as a result.

On that basis I don't find it was fair or reasonable for Creation to have instructed the credit reference agencies to record missed payments on Mr C's credit file from 7 December 2022 until it had been notified that the dispute with R was resolved and Mr C had brought the account back up to date in May 2023. Creation should therefore make the necessary arrangements for this information to be corrected.

Mr C was no doubt caused some distress and inconvenience by Creation having not been given clear information about the status of his account. Mr C was understandably worried that his ability to obtain credit elsewhere would be impacted – especially as he's said he was looking to get a new kitchen. So, I find Creation should pay Mr C some compensation for this.

Mr C's purchase was interest bearing and his credit agreement with Creation makes that clear. So he would always have had to interest whether he missed payments or not. It's not clear whether Mr C has had to pay any additional interest on top of this as a result of not making payments for six months. However even if he had and I were to find that Creation should refund such amount, it appears from his statement of account that it would have been a relatively small sum – around £10 at most

Looking at everything in the round therefore, I find the compensation of £100 suggested by the investigator is fair in the circumstances and Creation should pay this to Mr C.

My final decision

My final decision is that I uphold Mr C's complaint. To put things right Creation Consumer Finance Ltd must:

- Pay Mr C compensation of £100 for distress and inconvenience, and;
- Instruct the credit reference agencies to remove any missed or late payment markers from the record of Mr C's account with it between 7 December 2022 and 31 May 2023.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 1 April 2024.

Michael Ball
Ombudsman