

## Complaint

Mr W has complained that Creation Consumer Finance Ltd (“Creation”) irresponsibly provided him with an unaffordable credit account. He’s said that the credit limit he was given was not affordable.

## Background

Mr W was provided with a credit account, with a credit limit of £2,500.00 in November 2016. There were no credit limit increases provided to Mr W.

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

Mr W disagreed, so the case was 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.

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 Mr W’s complaint.

Having carefully considered everything provided, I’m not upholding Mr W’s complaint. I’ll explain why in a bit 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 Mr W 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 Mr W was provided with had a credit limit of £2,500.00. And as this was a revolving credit facility, Creation was required to understand whether Mr W could repay around £2,500.00 within a reasonable period of time. A credit limit of this amount required reasonable – but not excessive - monthly payments in order to clear the full amount owed within a reasonable period of time.

Creation says that it would have asked Mr W to confirm his income and that it carried out a credit check. It says that Mr W declared that earned between £25,000.00 and £30,000.00 and the while credit checks carried out showed that Mr W had some existing credit commitments, he would still have had the funds to make the required payments.

Mr W disputes this and says that he had a significant amount of existing credit which already meant that he owed. Furthermore he's provided us with information which shows that he started having difficulties with credit after the facility was provided.

I've carefully thought about what the parties have said. The first thing for me to say is that I've not been provided with clear evidence that Mr W did have significant difficulties with credit in 2016. It's possible this is the case, but the lack of information, which is not unreasonable given the time that's passed, means that I cannot reasonably conclude that this was more likely than not.

Nonetheless given the limit provided and Mr W's existing credit commitments, I do think that there is an argument to say that Creation ought to have done more to ascertain Mr W's actual regular living costs. That said, I don't think that Creation obtaining further information on Mr W's actual living costs, would have made a difference to its decision to lend in this instance.

I say this because having looked at copies of the bank statements for the accounts Mr W has provided, I can't see anything within them which clearly demonstrates that obtaining further information on Mr W's living costs will have clearly shown that he did not have the funds to make the monthly repayments required to clear the balance on this account within a reasonable period of time.

Mr W has put together a detailed breakdown of his finances using statements from various accounts and facilities. I also accept that it's possible that Mr W's circumstances were worse than it appears. For example, it looks like Mr W fell into difficulties making payments to a number of his accounts a while down the line.

But I don't think that this it would have been proportionate to carry out checks with the level of granularity Mr W is now applying to his finances at the time, considering he was only being provided with a credit account with a maximum limit of £2,500.00. This level of forensic analysis would only really be expected for much higher amounts of credit. So I don't think that Creation would have known about most of what Mr W has referred to. And bearing this in mind, I can't reasonably say that further checks into Mr W's living expenses would have prevented Creation from providing this credit account to him.

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 Mr W – having considered the information Mr W has provided, I don't think this information would have made a difference to Creation's decision. So overall I don't think it was unreasonable for Creation to provide this credit account to Mr W.

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

### **My final decision**

For the reasons I've explained, I'm not upholding Mr W's complaint.

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

Jeshen Narayanan  
**Ombudsman**