

The complaint

Miss A complains that Creation Consumer Finance Ltd (“Creation”) reduced her credit limit to zero without telling her and that they have impacted her credit file. She says she also received poor customer service from them.

What happened

The details of this complaint are well known to both parties, so I won’t repeat them again here. Instead, I’ll focus on giving my reasons for my decision.

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.

I know it will disappoint Miss A, but I agree with the investigator’s opinion. I’ll explain why.

Where the information I’ve got is incomplete, unclear, or contradictory, as some of it is here I have to base my decision on the balance of probabilities.

I’ve read and considered the whole file, but I’ll concentrate my comments on what I think is relevant. If I don’t comment on any specific point it’s not because I’ve failed to take it on board and think about it but because I don’t think I need to comment on it in order to reach what I think is the right outcome.

Businesses don’t have to give notice to customers about decreasing credit limits. Lenders have expressed concern that this might encourage customers whose balance is below the limit to spend up to the original limit and that would increase the amount they owe, which could cause any financial difficulties to worsen. Creation’s right to change the credit limit is detailed in the terms and conditions of the account.

Creation haven’t been able to provide a copy of the correspondence they say they sent to Miss A to explain that the credit limit was reducing. I think it’s likely correspondence was sent as Creation have provided a copy of a screen shot showing they sent the file to their digital mailroom. I note that Miss A says that this correspondence was merely an email to tell her to review a document that wasn’t there when she checked. But on balance I think it’s more likely than not that having made a change to the credit limit, and having sent a file to their digital mailroom, the correspondence that was sent would have detailed the credit limit reduction.

I’ve thought about the impact the credit limit change may have had on Miss A. She doesn’t seem to have been financially disadvantaged by it as the balance on the account was already zero. I don’t think the reduction in credit available would have had much impact on her ability to secure credit either as there was a reduction in the credit she was able to draw upon and not an increase.

So, I don't think I have sufficient evidence to say Creation were unreasonable when reducing Miss A's credit limit or in the way they communicated that reduction.

But I do think Creation could have managed Miss A's complaint better. There were delays in registering the complaint and I can understand why they have now agreed to provide £50 to compensate Miss A for the distress and inconvenience caused. In the circumstances, however, I would agree that £50 is reasonable and I'm not asking Creation to take any further action.

My final decision

For the reasons I've given above, I uphold this complaint in part and tell Creation Consumer Finance Ltd to pay Miss A £50 to compensate her for the distress and inconvenience they have caused, unless they have already paid that.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 19 June 2024.

Phillip McMahon
Ombudsman