

## The complaint

Mr P complains that Creation Consumer Finance Ltd (Creation) did not remove a default from his credit file after he was discharged from an Individual Voluntary Arrangement (IVA).

## What happened

Mr P took out a loan from Creation in 2010. In June 2014, he entered an IVA with total debts of £67,107. Creation's debt was £2,793.

The IVA was completed in October 2017 and Mr P was issued with a discharge. Creditors were paid 3.9p in the pound – accepted at a creditors' meeting.

In December 2022, Mr P tried to borrow money for a sofa and was declined the loan. He then realised there was a default still showing on his credit file.

In September 2023, he tried to borrow money for his business – he needed a new van. He was again declined the loan.

Creation removed the default from Mr P's credit file in March 2024.

*Mr P complained.* He said:

- Creation should've reported the account as in default when the IVA was entered into in 2014 and then removed the default when the IVA was completed in 2017. But as it was, the default remained on his credit file throughout and was still showing in 2022 and thereafter.
- After he raised the matter with Creation, they were slow to remove the default – he contacted the firm in September 2023 and it took until March 2024 to remove it.
- In the meantime, he couldn't borrow any money because of the default on his credit file – and was declined a loan for a new van. This led to him being without transport for several months and as a result, he lost his business.

In September 2023, Creation said they'd looked into what happened and the loan was settled in 2012 – so Mr P's credit file would've been marked with a default at that time, and the entry would've expired after six years – 2018. So the firm declined Mr P's complaint.

*Mr P brought his complaint to us.* Our investigator said:

- Once Creation got the evidence that the IVA had been completed – in December 2023 - they took action to remove the default. There was some confusion about locating the correct account, and that caused a delay.
- It was reasonable for Creation to ask for the discharge certificate from Mr P. But after that, Creation made some errors in not removing the default from Mr P's credit file – on two occasions, the default reappeared.
- This meant Mr P had to contact Creation again.
- Creation admitted there had been systems issues which they then fixed and removed the entries.

- He wasn't persuaded that the cause of the loan decline was the result of the default on Mr P's credit file - there may have been other adverse entries, and lenders may decide not to lend money for a variety of other reasons. Mr P had provided documentation on the decline but it didn't say it was because of the default - so he didn't award any compensation for that.

But overall – because of the delay in removing the default - he could see that this caused some distress and confusion and said that Creation should pay compensation of £300.

Mr P didn't agree, he said the default should've been removed back in 2017. He asked that an ombudsman look into his complaint, and so it has come to me to do that.

*I made a provisional decision which upheld Mr P's complaint and said Creation should pay more compensation:*

I can see how frustrating this has been for Mr P, and I am intending to make a higher award than our investigator for the following reasons:

- It was reasonable that Creation should've removed the default much earlier – when the IVA discharge was made in 2017.
- Creation's final response contained errors – as the firm didn't properly investigate the issues.
- Creation made errors when removing the default with effect from December 2023 – this meant that on at least two occasions, the default reappeared on Mr P's credit file.
- These aspects led to the confusion and frustration felt by Mr P in 2023/2024.

*Default should've been removed at an earlier stage:*

I can see that Mr P entered the IVA in June 2014. His total debts were established as more than £67,000. It was agreed that each creditor would get 3.9%.

The discharge was dated October 2017.

Mr P has provided the original schedule of debts included in the IVA – Creation is shown as £2,793 and it is marked as 'agreed balance £0'. In other words, it's reasonable to conclude that Creation agreed at that time to accept nothing in repayment and write off the balance.

It's therefore reasonable to say that Creation must have corresponded with the IVA manager and agreed that. And when the IVA was set up, it would be normal practice for Creation to mark Mr P's credit file with a default – in 2014.

There were also two further pieces of correspondence – the discharge was dated 31 October 2017 and was sent to 'all creditors bound by the voluntary arrangements of Mr P and (another party)'. So, it's reasonable to assume this was sent to Creation – as they were listed as a creditor.

Then, in February 2018, the IVA manager wrote again to all known creditors. Creation was shown with a balance of £2,793 and 'agreed balance £0'. The letter confirmed the discharge.

So - there was at least two pieces of correspondence to known creditors (of which Creation was listed as one). I think it's reasonable to assume that Creation received the letters. Creation argue they didn't receive anything, but on balance, I think this is unlikely.

And therefore, I think it is reasonable for me to say that at that time (February 2018 at the

latest), Creation should've removed the default.

*Errors in Creation's final response:*

Creation's final response referred to another loan which Mr P had – not the loan in question. Creation told us this was an error – but this meant that Mr P's complaint wasn't thoroughly researched. So, he had to contact Creation again and argue his case – this may not have been necessary if Creation had looked into his complaint more thoroughly.

*Delay in removing the default from Mr P's credit file – December 2023:*

Creation admit they had systems problems in removing the default – it reappeared twice. This meant that Mr P had to contact Creation again. This caused him more frustration.

*Impact:*

I went on to consider the impact of all of this. Mr P's credit file should not have had a default on it after (say) mid 2018. The impact was first felt by Mr P when he was declined a loan for a sofa in December 2022 and then again when he tried to borrow money for a new van in September 2023.

But here – I haven't seen enough evidence to say the declines were due to the default on his credit file. As our investigator said, there are many other reasons why a loan may be declined – such as other defaults/debt problems; account conduct; lending criteria of the lender etc. To make an award for a loan decline, we must be certain (and see evidence) that it was due to the Creation default. And – that's not the case here.

But – because I consider the matter should've been sorted out much earlier than it was, I consider a higher award of compensation is appropriate. In this case, the default should've reasonably been removed in 2018 – and had it been, Mr P would not have had cause to complain and the subsequent delays in removing the default from his credit file would not have arisen. And – Creation's errors in the final response also added to his frustrations.

Our criteria for deciding awards is set out at:

<https://www.financial-ombudsman.org.uk/consumers/expect/compensation-for-distress-or-inconvenience>

So – Mr P spent up to six months trying to resolve matters. And for this, I think a higher award of £500 is justified. **(continued)**

*Responses to the provisional decision:*

Creation made no comments, but Mr P did. He said (in summary):

- The default regarding the debt to Creation wasn't put onto his credit file until August 2021. He showed us his credit file dated August 2023 – and this confirmed Creation's default was added in August 2021.
- So, up to then, there weren't any other adverse marks on his credit file for the six-year period leading up to August 2023.
- He took out a business loan in April 2021 – and this showed his credit file was then clean, otherwise it wouldn't have been agreed.
- He was declined a second business loan (in September 2023). Putting everything together, this decline must have been due to the default put on his credit file by Creation in August 2021.
- He said he contacted Creation in January 2023, not in September 2023 as I said. So, Creation took a long time to sort things out.
- He said it was the default put on his credit file that led to the declined loan and therefore the failure of his business. Because of this, he had to draw £9,000 from his pension pot to allow him to buy transport. And he still owes £13,000 on the first loan which he cannot afford to repay because his business has failed.
- He says Creation should pay compensation of £9,000 and £13,000 to rectify his pension fund and clear the first business loan.

I now need to consider Mr P's points and make a final 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 accept that Mr P's credit file dated August 2023 does show that Creation added a default in August 2021. And because the IVA discharge was much earlier – in 2017 – this shouldn't have been done.

I think it's also clear that there weren't any other adverse marks on his credit file for the six-year period up to August 2023 – as these would've been shown for six years from when they were put on.

I can also see that he first contacted Creation in January 2023, but it isn't clear what happened between then and when the firm started to sort things out later in the year. I can't be sure as to why there was a delay, or why Mr P needed to re-contact them again.

Given all of this I considered what the possible impact of this was and whether a higher amount of compensation is reasonable and fair. And – I don't think it is.

I say that as we have asked for *clear* evidence that the second loan was turned down *solely* because of Creation's default on Mr P's credit file. And we haven't seen such evidence. And we must see this to be confident it was the only or dominant factor in the decision to decline the loan application.

Lenders make decisions based on a range of things – a customer's credit file is just one factor. Just as important are things such as: Mr P's business plan and forecasts; his trading performance to date (e.g. whether he making profits, what his products and sales were); any security offered (e.g. guarantees, or a mortgage); and whether the payments to the first loan had been made. So, it's not clear why Mr P was turned down for the second loan.

So, I'm not persuaded that Mr P's further points lead me to say a higher award of compensation is reasonable. As the awards criteria I pointed to show, the award of £500 is I think fair to compensate Mr P for what happened.

I'm sorry to disappoint Mr P, as he has asked for more - but having reviewed his complaint I think that this is a fair outcome in the circumstances.

### **Putting things right**

Creation must pay compensation of £500.

### **My final decision**

I uphold this complaint. Creation Consumer Finance Ltd must:

- Pay compensation for distress and inconvenience of £500.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 23 October 2024.

Martin Lord  
**Ombudsman**