

The complaint

Mr S complains that Oakbrook Finance Limited trading as Likely Loans lent irresponsibly when it approved a £2,000 loan in his name.

What happened

On 17 March 2022 Mr S applied for a loan of £2,000 with Likely Loans. In his application, Mr S said he was employed full time with an income of £49,500 a year. Mr S also said he was living with family. Likely Loans says it carried out a credit search and found unsecured debts totalling around £1,100 and defaulted debts totalling around £5,246. Likely Loans says it found defaults on Mr S' credit file that were 29 months old and CCJ information that was 34 months old. Likely Loans says it used a credit card payment figure of £40 a month and default repayments of £157.

In addition to the information included in the application, Likely Loans used outgoings figures for Mr S' housing costs and living expenses as well as a £50 buffer. Likely Loans says that based on the information provided in Mr S' application and credit file it found the loan was affordable. But Likely Loans has explained it asked Mr S to supply a copy of his most recent payslip to verify his income. A copy was provided to Likely Loans which went on to approve Mr S' loan application. The funds were released to Mr S.

Loan payments were maintained until January 2023. From that point, Mr S' loan fell into arrears. Mr S went on to raise a complaint that Likely Loans had lent irresponsibly and it issued a final response on 23 March 2023. Likely Loans said it had carried out reasonable affordability checks and approved Mr S' loan in line with its lending criteria. Likely Loans didn't uphold Mr S' complaint.

An investigator at this service looked at Mr S' case. They thought Likely Loans had carried out reasonable and proportionate checks before deciding to approve Mr S' loan application and didn't uphold his complaint. Mr S asked to appeal and said he owed around £22,000 at the time of his application including £15,000 for a hire purchase agreement. Mr S added he had defaults and CCJs on his credit file when he applied as well as credit cards with a balance of around £3,500. As Mr S asked to appeal his complaint has been passed to me to make a 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.

Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website. I've had this approach in mind when considering what's fair and reasonable in the circumstances of this complaint.

Before providing credit, lenders need to complete reasonable and proportionate affordability checks. There isn't a set list of checks a lender is required to carry out, but it needs to ensure the checks are proportionate when considering things like: the type and amount of

credit being provided, the size of the regular repayments, the total cost of the credit and the consumer's circumstances.

In this case, Likely Loans obtained information from Mr S about his income and circumstances provided in the application he completed. In addition, Likely Loans carried out a credit search. In response to the investigator, Mr S said he had loans of around £22,000, including a hire purchase agreement for £15,000.

I've looked at a copy of Mr S' credit file to see whether there's evidence to support what Mr S says. I can see that in February and March 2022 Mr S opened a number of credit accounts, including two credit cards and the hire purchase agreement he's told us about. I note Mr S' credit file confirms the hire purchase agreement was opened on 26 March 2022 which is over a week after he applied to Likely Loans for the loan in question. I should add that there's normally a delay in information about new accounts being recorded on a consumer's credit file. So whilst some of the applications Mr S made may've slightly predated his Likely Loans application, I'm satisfied it's more likely than not they weren't showing on his credit file when he applied.

Mr S has also pointed out he had defaults and CCJ information on his credit file when he applied. I accept that's the case but Likely Loans has shown it was aware of Mr S' adverse credit and took the costs of servicing those debts into account when considering his application. Likely Loans confirms its lending criteria allows some levels of adverse credit and that Mr S' application was correctly approved. I'm satisfied Likely Loans was aware of Mr S' adverse credit and factored it in when considering his application.

Likely Loans has explained that it wanted to verify Mr S' income before proceeding with the loan application so asked him to provide a copy of his most recent payslip. The loan was only approved once Mr S supplied evidence that verified his income of £49,500.

Likely Loans took all the information available into account and obtained a disposable income figure of £1,668.06 once Mr S' existing commitments were met and his new loan payment was covered. Overall, I'm satisfied Likely Loans carried out reasonable and proportionate checks when assessing Mr S' loan application. And I'm satisfied the information Likely Loans obtained indicated the repayments were sustainable for Mr S. I'm sorry to disappoint Mr S but I haven't been persuaded Likely Loans lent irresponsibly or treated him unfairly when it approved his loan application in March 2022.

My final decision

My decision is that I don't uphold Mr S' complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 3 January 2024.

Marco Manente
Ombudsman