

Complaint

Mr L complains that Oodle Financial Services Limited (“Oodle”) unfairly entered into a hire-purchase agreement with him. He’s said that the monthly payments to this agreement were unaffordable.

Background

In June 2018, Oodle provided Mr L with finance for a used car. The purchase price of the vehicle was £14,257.31. Mr L paid a deposit of £30 (£139 of the £169 he paid was for insurance) and entered into a hire-purchase agreement with Oodle for the remaining £14,227.31.

The loan had interest, fees and total charges of £6,857.69 (comprising of interest of £6,757.69, a document fee of £50 and an option to purchase fee of £50), and a 60-month term. This mean that the total amount to be repaid of £21,085.00 (not including the deposit) was due to be repaid in 1 monthly instalment of £399.75, followed by 58 monthly instalments of £349.75 and then a final instalment of £399.75.

Mr L’s complaint was considered by one of our investigators. He didn’t think that Oodle had done anything wrong or treated Mr L unfairly. So he didn’t recommend that Mr L’s complaint should be upheld. Mr L disagreed with our investigator and the complaint was passed to an ombudsman for a final decision.

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 irresponsible and unaffordable lending on our website. And I’ve used this approach to help me decide Mr L’s complaint.

Having carefully considered everything, I’m not upholding Mr L’s complaint. I’ll explain why in a little more detail.

Oodle needed to make sure that it didn’t lend irresponsibly. In practice, what this means is that Oodle needed to carry out proportionate checks to be able to understand whether any lending was sustainable for Mr L before providing it.

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 that information – 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, the amount lent was high, or the information the lender had – such as a significantly impaired credit history – suggested the lender needed to know more about a prospective borrower’s ability to repay.

Having carefully thought about everything I've been provided with, I'm not upholding Mr L's complaint. I'd like to explain why in a little more detail.

Oodle says it agreed to this application after Mr L provided details of his monthly income. It says it also carried out credit searches on Mr L which showed some outstanding balances and an account in difficulty. But when the amount owing plus a reasonable amount for Mr L's living expenses were deducted from his monthly income the monthly payments were still affordable. On the other hand, Mr L says his existing commitments meant that these payments were unaffordable and there was no way he was going to be able to maintain them.

I've thought about what Mr L and Oodle have said.

The first thing for me to say is that much like our investigator, I don't think that the checks Oodle carried out did go far enough. I don't think it was reasonable to rely on an estimate of Mr L's living costs given there was some adverse information on his credit file, even if one of the defaults had been settled.

As Oodle didn't carry out sufficient checks, I've gone on to decide what I think Oodle is more likely than not to have seen had it obtained further information from Mr L. Bearing in mind what Oodle saw, the length of time of the agreement and the amount of the monthly payment, I would have expected Oodle to have had a reasonable understanding about Mr L's regular living expenses as well as his income and existing credit commitments.

The information Mr L has provided does appear to show that when his committed regular living expenses and existing credit commitments were deducted from his monthly income, he did have the funds, at the time at least, to sustainably make the repayments due under this agreement.

I accept that the real reason for Mr L's inability to make his payments to this agreement wasn't due to his existing credit commitments or his living expenses. And this might have been apparent when Mr L's bank statements are considered. But what I need to think about here is what did Oodle need to do in order to answer the questions its initial checks left unanswered – in other words, what were Mr L's actual regular living expenses (bearing in his credit commitments were already validated by the credit search)? – given this was a first agreement and Mr L was being provided with a car rather than cash.

Bearing in mind checking bank statements wasn't the only way for Oodle to have found out more about Mr L's actual living costs – it could have obtained copies of bills or other evidence of payment etc – I don't think that proportionate checks would have extended into obtaining the bank statements Mr L has now provided us with. So I don't think that Oodle could reasonably be expected to have known about the nature and extent of Mr L's additional spending.

Overall and having carefully considered everything, while I don't think that Oodle's checks before entering into this hire purchase agreement with Mr L did go far enough, I'm satisfied that carrying out reasonable and proportionate checks won't have stopped Oodle from providing these funds, or entering into this agreement.

So I'm satisfied that Oodle didn't act unfairly towards Mr L when it agreed to provide the funds. And I'm not upholding this complaint. I appreciate that this will be disappointing for Mr L. But I hope he'll understand the reasons for my decision and at least consider that his concerns have been listened to.

My final decision

My final decision is that I'm not upholding Mr L's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 20 November 2023.

Jeshen Narayanan
Ombudsman