

Complaint

Miss K has complained about a loan Oakbrook Finance Limited (trading as “Likely Loans”) provided to her. She says the loan was unaffordable and that she wasn’t required to validate her income or employment.

Background

Likely Loans provided Miss K with a loan for £2,000.00 in July 2017. This loan was due to be repaid in 24 monthly instalments of £138.22. One of our investigators reviewed what Miss K and Likely Loans had told us. And she didn’t recommend that Miss K’s complaint be upheld. Miss K disagreed and asked for an ombudsman to look at his complaint.

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 Miss K’s complaint.

Having thought about everything provided, I’ve not been persuaded to uphold Miss K’s complaint. I’ll explain why in a little more detail.

Likely Loans needed to make sure that it didn’t lend irresponsibly. In practice, what this means is Likely Loans needed to carry out proportionate checks to be able to understand whether Miss K could afford to repay before providing this loan.

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.

Likely Loans says it agreed to Miss K’s application after she provided details of her monthly income and some information on her expenditure. It says it cross-checked this against information on a credit search it carried out and a copy of a bank statement Miss K provided. In Likely Loans’ view, all of this information showed Miss K could afford to make the repayments she was committing to. On the other hand, Miss K has said she shouldn’t have been lent to.

I’ve carefully thought about what Miss K and Likely Loans have said.

The first thing for me to say is that Likely Loans has suggested it carried out credit searches which showed that Miss K didn't have any recent difficulties with credit. It also obtained a copy of a bank statement, which Miss K acknowledges and confirms is key here. So it wasn't a case of Likely Loans simply accepting what Miss K said at face value when providing this loan.

It's fair to say that Miss K had had previous difficulties repaying credit in the form of a default. However, this was historic. Furthermore, Miss K's existing commitments at the time weren't unmanageable. I accept that Miss K appears to be suggesting that her actual circumstances may not have been fully reflected either in the information she provided, or the information Likely Loans obtained.

But it's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong. Given the amount borrowed, the relatively low monthly payments and crucially the lack of obvious indicators of current difficulties in the bank statement obtained, I don't think that Likely Loans' decision to conclude that the loan was affordable was unreasonable. Indeed, in my view, the bank statement provided actually supports this being the case.

As this is the case, I don't think that Likely Loans did anything wrong when deciding to lend to Miss K - it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable. And, in any event, I've not been provided with anything else that suggests Likely Loans doing even more, which on the face of things it didn't need to, would have prevented it from lending either.

So overall I don't think that Likely Loans treated Miss K unfairly or unreasonably when providing her with her loan. And I'm not upholding Miss K's complaint. I appreciate this will be very disappointing for Miss K. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Miss K's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K to accept or reject my decision before 6 October 2023.

Jeshen Narayanan
Ombudsman