

Complaint

Miss H has complained about a loan Oakbrook Finance Limited (trading as “Finio Loans”) provided to her. She says the loan was unaffordable and so shouldn’t have been provided.

Background

Finio Loans provided Miss H with a loan for £1,000.00 in August 2022. This loan was due to be repaid in 24 monthly instalments of £67.94. One of our adjudicators reviewed what Miss H and Finio Loans had told us. And he didn’t recommend that Miss H’s complaint be upheld. Miss H disagreed and asked for an ombudsman to look at her 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 H’s complaint.

Finio Loans needed to make sure that it didn’t lend irresponsibly. In practice, what this means is Finio Loans needed to carry out proportionate checks to be able to understand whether Miss H 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.

Finio Loans says it agreed to Miss H’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 a payslip it obtained from Miss H and all of this information showed Miss H could afford to make the repayments she was committing to. On the other hand, Miss H has said she was in financial difficulty.

I’ve carefully thought about what Miss H and Finio Loans have said.

The first thing for me to say is that Finio Loans has suggested it carried out credit searches which showed that Miss H didn’t have that much in the way of existing credit commitments and what she did have was relatively well maintained. It also obtained a recent payslip from Miss H.

It's fair to say that Miss H had had previous difficulties repaying credit. However, these were historic and Miss H's existing commitments at the time of this application were relatively well maintained. There has been some debate over whether Miss H may have taken a payday loan six months prior to this occasion. Finio Loans says that this didn't show on its checks. But even if it did, I don't think that this in itself means that it was unreasonable to lend – particularly given the low amount being advanced here.

I accept that Miss H appears to be suggesting that her actual circumstances may not have been fully reflected either in the information she provided, or the information Finio 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 low amount borrowed, the low monthly payments and the lack of obvious indicators of difficulty in the information obtained, I don't think that Finio Loans' decision to lend was unreasonable.

As this is the case, I don't think that Finio Loans did anything wrong when deciding to lend to Miss H - 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 Finio Loans doing even more would have prevented it from lending either.

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

Although I'm not upholding this complaint, I'd like remind Finio of its obligation to exercise forbearance and due consideration should it intend to collect on the outstanding balance on Miss H's loan and it be the case that she is experiencing financial difficulty.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 11 October 2023.

Jeshen Narayanan
Ombudsman