

Complaint

Mr L has complained about loans Oakbrook Finance Limited (“Oakbrook Finance”) provided to him. He says the loans were unaffordable and shouldn’t have been provided to him.

Background

Oakbrook Finance provided Mr L with a first loan (under its Likely Loans brand) for £1,500.00 in March 2021. This loan was due to be repaid in 12 monthly instalments of £154.48. This loan was settled early in June 2021.

In November 2022, Oakbrook Finance provided Mr L with a second loan. This loan was under its Finio Loans brand and was for £3,000.00. It had a 24-month term and had monthly repayments of £197.58.

One of our investigators reviewed what Mr L and Oakbrook Finance had told us. And he thought that Oakbrook Finance hadn’t done anything wrong or treated Mr L unfairly. So he didn’t recommend that Mr L’s complaint be upheld. Mr L 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 Mr L’s complaint.

Having carefully considered everything, I’ve not been persuaded to uphold Mr L’s complaint. I’ll explain why in a little more detail.

Oakbrook Finance needed to make sure that it didn’t lend irresponsibly. In practice, what this means is Oakbrook Finance needed to carry out proportionate checks to be able to understand whether Mr L 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.

Oakbrook Finance provided Mr L with loans for £1,500.00 in March 2021 and £3,000.00 in November 2022. These loans were due to be repaid in 12 instalments of £154.98, and 24

instalments of £106.41 respectively. Oakbrook Finance says it agreed to Mr L's applications after he provided details of his monthly income and some information on his expenditure.

It says it cross-checked this against information on credit searches it carried out and (in the case of loan 1 proof of income) all of this information showed Mr L could afford to make the repayments he was committing to. On the other hand, Mr L has said these loans were unaffordable.

I've carefully thought about what Mr L and Oakbrook Finance have said.

The first thing for me to say is that Oakbrook Finance has provided an indication of what it saw about Mr L's debts at the time of his applications. And I've cross checked this against the copy of a credit report Mr L has provided. Crucially, Mr L's debt total at the time of the applications was reasonable in comparison to his income and they appeared to be relatively well managed.

Given the amount being lent for loan 1 as well as the monthly payment and the lack of obvious indicators of recent difficulty in the information Oakbrook Finance did obtain, I don't think that reasonable and proportionate checks would have extended into obtaining anything further. So I'm satisfied that Oakbrook Finance didn't act unfairly towards Mr L when it provided loan 1 to him.

For the second loan, given the increased monthly repayment I think that Oakbrook Finance needed to find out a bit more about Mr L's regular living costs. I've seen what Mr L has said about monthly repayment being unaffordable when all of the direct debits and expenditure on his bank statements is deducted from his income. But I wouldn't have expected this level of granularity in any assessment of Mr L living costs - particularly as obtaining bank statements wasn't the only way for Oakbrook Finance to have found out more about Mr L's regular living costs.

Instead, given the circumstances here, I would simply have expected Oakbrook Finance to have had an understanding of Mr L's headline living costs and, in my view, finding out about these would not have led Oakbrook Finance to conclude that Mr L wouldn't be able to make the repayments to loan 2.

I've also kept in mind that loan 1 was settled very early and loan 2 wasn't taken until almost a year and a half after loan 1 had been settled. So I don't think that it was obvious that Mr L might have been taking loan 2 because of the effect his previous Oakbrook Finance loan had left on his finances.

I accept that Mr L's actual circumstances may not have been fully reflected either in the information he provided, or the information Oakbrook Finance obtained. For example, I've seen that Mr L was using his overdraft. But the funds for this loan could have been used to clear Mr L's overdraft. Furthermore, if Mr L believes he was in a cycle of using his overdraft unsustainably this is a matter he needs to take up with his overdraft provider, rather than Oakbrook Finance.

Overall I don't think that Oakbrook Finance did anything wrong when deciding to lend to Mr L - it carried out proportionate checks for loan 1 and reasonably relied on what it found out which suggested the repayments were affordable. And the second loan was provided in circumstances where Mr L's indebtedness, at least to it, didn't appear to be increasing unsustainably, or in circumstances where further checks would have shown the monthly payments to be unaffordable.

So I don't think that Oakbrook Finance treated Mr L unfairly or unreasonably when providing him with his loans. And I'm not upholding Mr L's complaint. I appreciate this will be very disappointing for Mr L. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained, 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 6 December 2023.

Jeshen Narayanan
Ombudsman