

Complaint

Mr A has complained about a loan Oakbrook Finance Limited (trading as “Likely Loans”) provided to him. He says the loan was unaffordable given his circumstances at the time and so shouldn’t have been provided.

Background

Likely Loans provided Mr A with a loan for £6,000.00 in March 2022. This loan had an APR of 8.9% and was due to be repaid in 48 monthly instalments of £148.15. One of our investigators reviewed what Mr A and Likely Loans had told us. And she didn’t recommend that Mr A’s complaint be upheld.

Mr A disagreed with our investigator’s assessment 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 A’s complaint.

Having carefully considered everything, I’ve decided not to uphold Mr A’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 Mr A 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 Mr A’s application after he provided details of his monthly income and some information on his expenditure. It says it cross-checked this against information on a credit search it carried out and all of this information showed Mr A could afford to make the repayments he was committing to.

On the other hand, Mr A has said he was in financial difficulty given his circumstances at the time and so he shouldn’t have been lent to.

I've carefully thought about what Mr A and Likely Loans have said.

Mr A is unhappy that the term guaranteed application was used at the time. I don't know what marketing material Mr A saw. Nonetheless, the first thing for me to say is that Likely Loans did carry out checks before deciding whether to lend to him. My suspicion is that the term Mr A is unhappy with was used because the search engine Mr A used had conducted some kind of checks, based on the information that it held, in the background.

In any event and most importantly, Likely Loans not only carried checks it didn't just accept what Mr A had said either. It carried out credit searches which showed that Mr A's unsecured credit commitments weren't excessive in comparison to his income and there was no significant adverse information such as missed payments, defaulted accounts or county court judgments recorded against him.

I accept that Mr A appears to be suggesting that his actual circumstances may not have been fully reflected either in the information he provided, or the information Likely Loans obtained. For example, Mr A says he was struggling and regularly using an overdraft. I'm sorry to hear about what Mr A has told us. But I think that it would be helpful for me to explain that it's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong.

Given the amount of the monthly payments here and the lack of obvious indicators of significant difficulty in the information Likely Loans did obtain, as well as the relatively low interest rate, I don't think that reasonable and proportionate checks would have extended into requesting copies of Mr A's bank statements.

Furthermore, while Mr A may have been overdrawn, the funds from this loan could have been used to clear his balance at a much lower interest rate. This loan had a lower rate of interest than Mr A's overdraft and would have provided him with the opportunity to repay what he already owed in fixed monthly instalments.

It's probably also worth me saying that at best, even if I were to accept that further checks were necessary, which I'm not necessarily persuaded is the case here, any such checks would only have gone as far as finding out more about Mr A's regular living costs. I don't think that obtaining bank statements was the only way that Likely Loans could have done this type of check either.

As this is the case, I don't think that Likely Loans did anything wrong when deciding to lend to Mr A - it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable.

So overall I don't think that Likely Loans treated Mr A unfairly or unreasonably when providing him with his loan. And I'm not upholding Mr A's complaint. I appreciate this will be very disappointing for Mr A. 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 A's complaint.

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

Jeshen Narayanan
Ombudsman