

Complaint

Miss F complains that Oodle Financial Services Limited ("Oodle") unfairly entered into a hire-purchase agreement with him. She's said that the monthly payments to this agreement were unaffordable.

Background

Miss F also complained about Oodle having lent to her in April 2019. But as Oodle accepted Miss F's complaint about this agreement and compensated Miss F to her satisfaction, she did not refer the complaint about this agreement to us.

In May 2021, Oodle provided Miss F with finance for a used car. The purchase price of the vehicle was £8,750.00. Miss F did not pay a deposit and she simultaneously took out a fixed sum loan of £2,301.54 to settle the amount to settle her existing hire-purchase agreement early. So in total Miss F borrowed £11,051.54 from Oodle in order to facilitate this purchase.

The loans had interest, fees and total charges of £4,244.06 (comprising of interest of £4,144.06, a document fee of £50 and an option to purchase fee of £50), and a 60-month term. This meant that the total amount to be repaid of £15,295.60 was due to be repaid in 1 monthly instalment of £303.26 followed by 58 monthly instalments of £253.26, followed by a final instalment of £303.26.

Miss F's complaint was considered by one of our investigators. He didn't think that Oodle had done anything wrong or treated Miss F unfairly. So he didn't recommend that Miss F's complaint should be upheld.

Miss F 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 Miss F's complaint.

Having carefully considered everything, I'm not upholding Miss F'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 Miss F 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 Miss F's complaint. I'd like to explain why in a little more detail.

Oodle says it agreed to this application after Miss F provided details of her salary of £41,000.00. It says it also carried out credit searches on Miss F which showed some outstanding balances and a default from around five years prior. But when the amount owing plus a reasonable amount for Miss F's living expenses were deducted from her monthly income the monthly payments were still affordable.

On the other hand, Miss F says the monthly payments were unaffordable in the same way that the payments to her first agreement were.

I've thought about what Miss F and Oodle have said.

The first thing for me to say is that Oodle didn't simply accept Miss F's declarations at face value as it carried out credit checks. And given what Oodle would have seen on the credit checks suggests that Miss F was managing her existing credit well, at the time at least, it's arguable that it was reasonable to rely on an estimate of Miss F's living costs, rather than finding out more about what they actually were. This is because there was nothing to suggested that Miss F fell outside the profile of the average borrower.

Furthermore, and in any event, I don't think that Oodle carrying out further checks is more likely than not to have made a difference here. I say this because I'm satisfied that Oodle is still likely to have lent to Miss F even if it had found out more about her actual living expenses.

I say this because while Miss F has gone into some detail about her expenditure at the time, I wouldn't have expected Oodle to carry out such a forensic analysis. I think that at best Oodle could have asked Miss F a bit more about her regular living expenses. And I think that if it had done this here, Oodle was more likely that not to have concluded that Miss F could sustainably make the repayments due under this agreement.

I accept it's possible that Miss F's actual circumstances at the time might have been worse than what the information shows. For example, I've seen what Miss F has said about the fact that she went on maternity leave around 8 months after this agreement. But Oodle won't have known this. All it could do was make a decision based on what it had, or is likely to have had, had it done proportionate checks.

Equally, it was Miss F that decided to purchase another vehicle at this stage even though she was still within the term of her existing agreement. I think that this is important context for me to keep in mind when considering the details of the expenditure calculation, which Miss F has prepared with the purpose of supporting a complaint for compensation, rather than automatically being indicative of what she would have done in circumstances where she wanted Oodle to approve her application.

Overall and having carefully considered everything, while it's arguable that Oodle's checks before entering into this hire purchase agreement with Miss F could have gone further, I'm

satisfied that carrying out further checks won't have stopped Oodle from providing these funds, or entering into this agreement with Miss F. So I'm satisfied that Oodle didn't act unfairly towards Miss F when it agreed to provide the funds.

I've also seen what Miss F has said about this agreement pushing her further into negative equity. However, Miss F will have known that she was settling her previous agreement well ahead of its intended completion date. Equally, the content of Miss F's May 2021 agreement also clearly shows that she is borrowing an extra roughly £2,300.00 in order to settle her existing agreement early and that she's borrowing significantly more than the amount of her new car in order to go ahead with her purchase at this time.

So it clearly isn't in dispute that Miss F paid significantly more than the amount that her new purchase would be worth in order to change her vehicle at the time. However, as Miss F chose to proceed in circumstances where the documentation from the time indicates that this was made clear to her, I can only presume that she was happy with the arrangement at least at the time she was entering into her agreement. And as this is the case, I'm not upholding this aspect of Miss F's complaint either.

Overall and having considered everything, I'm not upholding this complaint. I appreciate that this will be disappointing for Miss F – particularly as her complaint about her first agreement was upheld. But I hope I've been able to explain why proportionate checks are likely to have shown the payments to this agreement were affordable, that she'll understand the reasons for my decision and she'll at least consider that her concerns have been listened to.

My final decision

My final decision is that I'm not upholding Miss F's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss F to accept or reject my decision before 6 May 2024.

Jeshen Narayanan
Ombudsman