DRN-4748598

The complaint

Mr W has complained through a representative that OAKBROOK FINANCE LIMITED trading as Likely Loans ("Likely Loans") didn't carry out sufficient affordability checks before it lent to him.

What happened

A summary of Mr W's borrowing can be found in the table below.

loan number	loan value	agreement date	repayment date	number of monthly instalments	monthly instalment
1	£1,500.00	14/08/2017	29/03/2018	24	£98.29
2	£1,917.14	29/03/2018	17/10/2019	36	£101.24

For loan 2, Mr W received £700 of 'new' money because the rest of the advanced funds went towards repaying loan 1.

Following Mr W's complaint, Likely Loans wrote to his representative and explained the checks that it had carried out before lending each loan. The checks were proportionate and demonstrated that Mr W would likely be able to afford the repayments he was committed to making. Unhappy with this response, Mr W's representative referred the complaint to the Financial Ombudsman.

In our investigator's assessment, she didn't uphold Mr W's complaint about either loan. She concluded, Likely Loans' checks went far enough, and these checks demonstrated that Mr W would be able to afford the repayments he had committed to.

Mr W's representative didn't agree and instead provided a copy of his credit report as well as copy bank statements. It also said, Mr W has had other complaints upheld by the Financial Ombudsman Service about other lenders and so it follows this complaint should also be upheld.

As no agreement could be reached the complaint has been passed to me to decide.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

We've set out our general approach to complaints about unaffordable/irresponsible lending - including all of the relevant rules, guidance and good industry practice - on our website.

The rules and regulations in place required Likely Loans to carry out a reasonable and proportionate assessment of Mr W's ability to make the repayments under the loan agreements. This assessment is sometimes referred to as an "affordability assessment" or "affordability check".

The checks had to be "borrower-focused" – so Likely Loans had to think about whether repaying the loans would be sustainable. In practice this meant it had to ensure that making the repayments on the loan wouldn't cause Mr W undue difficulty or significant adverse consequences. That means he should have been able to meet repayments out of normal income without having to borrow to meet the repayments, without failing to make any other payment he had a contractual or statutory obligation to make and without the repayments having a significant adverse impact on his financial situation.

In other words, it wasn't enough for Likely Loans to simply think about the likelihood of it getting its money back - it had to consider the impact of the loan repayments on Mr W. Checks also had to be proportionate to the specific circumstances of the loan application.

In general, what constitutes a proportionate affordability check will be dependent upon a number of factors including – but not limited to – the particular circumstances of Mr W (e.g. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they are seeking. Even for the same customer, a proportionate check could look different for different applications.

In light of this, I think that a reasonable and proportionate check ought generally to have been *more* thorough:

- the *lower* a consumer's income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- the *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the *greater* the number and frequency of loans, and the longer the period of time during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mr W's complaint.

From the information provided by Likely Loans it carried out the same sort of checks before both loans were advanced. Having looked at everything I have decided to conclude those checks were proportionate and the repayment of the loans appeared affordable. I have therefore not upheld Mr W's complaint and I've explained why below.

For both loans Mr W was asked to declare his income. For loan 1, this was declared as being £54,000 per year - gross. For this loan Likely Loans used a 'salary calculator' to work out what it believed the monthly equivalent was – and it worked this out to be £3,066 per month. This doesn't seem an unreasonable amount to have used given this was a gross figure and Mr W would've paid tax.

For loan 2, Mr W declared a monthly income of £3,200 and the same salary calculator was used to increase his income to £3,367. Likely Loans hasn't said why it felt that it needed to increase Mr W's monthly income for this loan. But I don't think it makes any difference because even if Likely Loans had used the same income for both loans – the outcome is the same. The loans would've looked affordable.

Mr W was also asked to provide details of his monthly living costs. As part of its review of Mr W's living costs Likely Loans used information from the credit search (which I'll come on to below) as well as information from the Office of National Statistics (ONS). For loan 1, taking on board what Mr W declared as well as reviewing his credit file and ONS data it believed his housing and living expenses came to £813.88 per month with his existing credit commitments coming to £171 per month.

The same checks were carried out for loan 2, and this time, his living costs were calculated as being £702.25 per month and existing credit commitments of £448. Likely Loans established, through a proportionate check that Mr W had sufficient disposable income to afford and repay both of his loans.

Likely Loans, as part of its affordability assessment carried out a credit search before each loan and it has provided the Financial Ombudsman with a summary of the results it received from the credit reference agency. I want to add that although Likely Loans carried out a credit search there isn't a regulatory requirement to do one, let alone one to a specific standard. But what Likely Loans needed to do was consider the results it received.

For loan 1, Likely Loans was told Mr W had around £1,600 of existing credit commitments across four active accounts and he hadn't opened any other credit facilities within the six months before the loan was approved. The number of active accounts and the number of new facilities wouldn't have been of any concern to Likely Loans as it didn't indicate any reliance on any form of credit.

It also knew Mr W had three accounts that had defaulted, but it was also told that the most recent default had been recorded 52 months before the loan was advanced. There is also an indication that perhaps Mr W had a County Court Judgement (CCJ) but again it had been 53 months since that appeared to have been applied.

The information that Likely Loans received from the credit reference agency wasn't concerning because the defaults and possible CCJ because they had occurred too long before the loan was advanced. There was no indication that Mr W was in arrears or was having difficulties maintaining his existing credit commitments. It therefore follows the credit checks for loan 1 wouldn't have prompted Likely Loans to conduct further checks.

For loan 2 the credit check results showed similar results to the first one. There had been no new defaults or CCJs so for the same reason as above and so that wouldn't have concerned Likely Loans. This time Mr W had 8 open credit accounts owing just over £6,500. This is a significant increase since loan 1, but some of that balance would've been loan 1 – which was due to be paid with the proceeds of loan 2. So that alone wouldn't have been enough to have prompted further checks. And overall debt of £6,500 is not excessive.

Overall, I don't think given the number of loans, Mr W's income and what Likely Loans discovered from his credit report would've prompted further checks. I thank Mr W's representative for providing copy bank statements, but in the circumstances of this complaint, it would've been disproportionate for Likely Loans to have considered the statements. And so, I have not reviewed the statements Mr W's representative has sent to us.

Finally, I've considered what Mr W's representative has told us about the other complaints the Financial Ombudsman has considered and upheld in Mr W's favour. My role is to consider the individual circumstances of this complaint and then come to what I consider a fair and reasonable outcome is based on proportionate checks. As I've said some of the factors, I've considered are the loan value, term and what Likely Loans knew about Mr W at the time of the affordability assessment.

That does mean, complaints that may appear to be similar which may also have occurred at around the same time can have different outcomes – there isn't anything unusual about that.

In this complaint, I'm satisfied the outcome is fair and reasonable when thinking about the checks Likely Loans conducted and what it knew about Mr W's circumstances.

It therefore follows that in my view Likely Loans conducted proportionate checks that showed it Mr W ought to be able to afford his repayment I don't uphold his complaint about these loans, and I make no award against Likely Loans.

My final decision

For the reasons given above, I am not upholding Mr W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 23 May 2024.

Robert Walker
Ombudsman