

Complaint

Mr C has complained about loans Oakbrook Finance Limited (trading as “Likely Loans”) provided to him.

He says the loan was unaffordable and so shouldn’t have been provided to him.

Background

Likely loans provided Mr C with a total of three loans and when it investigated Mr C’s complaint it agreed that it shouldn’t have provided loans 1 and 3 to Mr C and offered to put things right in the way we’d normally ask a lender to in the event that we were to uphold a complaint.

As this is the case, we’ve not looked at the complaints about loans 1 and 3 and all reference made to loan from this point forward are made in relation to loan 2.

Likely Loans provided Mr C with a loan for £800 in May 2021. This loan was due to be repaid in 24 monthly instalments of £52.42. Two of our investigators reviewed what Mr C and Likely Loans had told us. And neither of them recommended that Mr C’s complaint be upheld.

Mr C 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 C’s complaint.

Having carefully considered everything, I’ve not been persuaded to uphold Mr C’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 C 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 C'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 the information obtained showed Mr C could afford to make the repayments he was committing to. On the other hand, Mr C has said he was in financial difficulty.

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

The first thing for me to say is that Likely Loans didn't just simply accept what Mr C had told it. It carried out credit searches which showed that Mr C hadn't had any defaulted accounts or County Court Judgments ("CCJ") taken out against him in the three years prior to this application. Furthermore, Mr C's unsecured credit commitments weren't excessive in comparison to his income and there was no recent payday loan usage.

I accept that Mr C 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. I know that Mr C has said that he had a number of recent defaults at the time of this application.

I'm sorry to hear about what Mr C has told us. But it's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong. The credit checks Likely Loans carried out didn't show any recent defaults. Furthermore, having looked at credit file Mr C has provided it looks like he had multiple defaults in 2022 rather than in 2021 and in the period leading up to the application for this loan.

Given the low monthly payments due on this loan, the lack of obvious indicators of any recent difficulty or other indication that Mr C might not be able to repay around £50 a month in the information Likely Loans did obtain, I don't think that reasonable and proportionate checks would have extended into requesting copies of Mr C's bank statements.

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 C's regular living costs. And for the sake of completeness, I'd also point out that I've not been provided with anything at all that clearly demonstrates that Mr C couldn't make the low monthly repayments here either. So I can't even see that Likely Loans doing more would have made a difference here.

As this is the case, I don't think that Likely Loans did anything wrong when deciding to lend to Mr C - 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 C unfairly or unreasonably when providing him with his loan. And I'm not upholding Mr C's complaint. I appreciate this will be very disappointing for Mr C. 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 C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 28 November 2023.

Jeshen Narayanan
Ombudsman