

The complaint

Mr W complains that Oakbrook Finance Limited trading as Likely Loans was irresponsible in its lending to him. He wants all interest and charges on the loans refunded along with compensatory interest and compensation for the way his complaint has been handled and the time taken.

Mr W is represented by a third party but for ease of reference I have referred to Mr W throughout this complaint.

What happened

Mr W was provided with two loans by Likely Loans. The first was in June 2019, for £1,600 repayable over 12 months with monthly repayments of around £170. The second was in October 2021, for £6,599 repayable over 36 months with monthly repayments of around £240. Mr W says that Likely Loans failed to carry out proportionate checks before the lending was provided and failed to recognise his dependency on borrowing.

Likely Loans issued a final response dated 6 September 2023. It said that having reviewed Mr W's complaint it found that its checks at the time of the loan applications didn't suggest the loans were unaffordable.

Mr W referred his complaint to this service.

Our investigator noted that before the loans were provided, Mr W was asked about his employment and his income was verified. Mr W had said he was living with parents and information provided by Mr W alongside third-party data was used to estimate his expenses. She thought these checks were proportionate and as they didn't suggest the loans to be unaffordable, she didn't uphold this complaint.

Mr W didn't agree with our investigator's view. He noted the credit he had taken out shortly before the loans were provided and said this should have prompted further checks to have taken place.

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.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

Mr W was provided with two loans by Likely Loans and I have considered these separately below.

Loan 1: June 2019

Loan 1 was for £1,600 repayable over 12 months with monthly instalments of around £170. Before the loan was provided, Likely Loans gathered information about Mr W's employment and income and his residential status, and a credit check was undertaken. Mr W declared an annual income of £27,000 which was converted into a monthly net income of around £1,825. This was verified using current account turnover. Mr W's credit check didn't show any defaults or county court judgements, recent arrears or payday loans. It didn't show any revolving or non-revolving credit commitments. Given the credit results didn't raise any concerns and noting the size of the repayments compared to Mr W's monthly income, I think that the checks carried out before this loan was provided were proportionate.

I have then considered whether, based on the information received through the checks, this lending should have been provided. Mr W's monthly income was verified as being around £1,825. He said he was living with parents and Likely Loans estimated his general housing and living costs as around £624. Mr W didn't have any credit commitments noted in his credit check. Taking into account Mr W's costs compared to his income, I do not find that this suggested this loan - with repayments of around £170 - was unaffordable.

I note that Mr W settled the loan early.

Loan 2: October 2021

Loan 2 was for £6,599 repayable over 36 months with monthly instalments of around £240. Before the loan was provided, Likely Loans gathered information about Mr W's employment and income and his residential status, and a credit check was undertaken. Mr W declared an annual income of £39,000 which was converted into a monthly net income of around £2,515. This was verified using current account turnover. Mr W's credit check didn't show any defaults or county court judgements, recent arrears or payday loans. It did show that Mr W had total debts of around £11,800 of which around £4,249 was revolving credit (credit card and mail order debt). While this showed that Mr W had increased his indebtedness since his previous loan application, I do not find this was such that it meant further lending shouldn't have been provided. And as the credit check didn't raise any concerns about how Mr W was managing his existing credit commitments, I do not find that further checks were required.

So, considering the outcome of the credit check, and noting the size of the loan and Mr W's existing credit commitments and the cost of the repayments compared to his monthly net income, I think that the checks carried out before this loan was provided were proportionate.

I have then considered whether, based on the information received through the checks, this lending should have been provided. Mr W's monthly income was verified as being around £2,515. His credit commitments were identified as being around £572 and his general housing and living costs estimated as around £567 (Mr W said he was living with parents). Taking into account Mr W's costs compared to his income, I do not find that this suggested this loan - with repayments of around £240 - was unaffordable.

I note that Mr W maintained his repayments before requesting an early settlement quote and he settled the loan early.

In conclusion, while I note the comments that Mr W has made about the lending, I find that the checks carried out before the loans were provided were proportionate. As the information

gained through these didn't suggest the lending to be unaffordable or irresponsible for any other reason, I do not uphold this complaint.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 5 June 2024.

Jane Archer
Ombudsman