

Complaint

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

Background

Finio Loans provided Mr E with a loan for £4,000.00 in September 2022. This loan was due to be repaid in 24 monthly instalments of £232.31. One of our investigators reviewed what Mr E and Finio Loans had told us. And she didn’t recommend that Mr E’s complaint be upheld.

Mr E 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 E’s complaint.

Having carefully considered everything, I’ve not been persuaded to uphold Mr E’s complaint. I’ll explain why that is the case in a bit more detail.

Finio Loans needed to make sure that it didn’t lend irresponsibly. In practice, what this means is Finio Loans needed to carry out proportionate checks to be able to understand whether Mr E 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.

Finio Loans says it agreed to Mr E’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 E could afford to make the repayments he was committing to. On the other hand, Mr E has said he was in financial difficulty.

I’ve carefully thought about what Mr E and Finio Loans have said.

The first thing for me to say is that Finio Loans didn't just simply accept what Mr E had told it. It has suggested that it carried out credit searches which showed that Mr E's unsecured credit commitments weren't excessive in comparison to his income and what he did have was relatively well maintained. For example, he had a low debt to income ratio, wasn't in arrears on any of his accounts at the time and there were no defaulted accounts or other significant adverse credit information recorded against him.

I accept that Mr E appears to be suggesting that his actual circumstances may not have been fully reflected either in the information he provided, or the information Finio Loans obtained. I've noted what he's said about having an addiction at the time and having a number of loans having been removed from his credit file as a result of previous successful complaints.

I'm sorry to hear about what Mr E has told us. But it's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong. Finio Loans wasn't aware of what Mr E has told us and while its sister company had previously lent to Mr E there was a significant break between his last loan with that company and this one. So I wouldn't have expected these loans to have factored into Finio Loans' decision making here.

Furthermore, the loans that were removed from Mr E's credit file caused an improvement in his credit score. I'm satisfied that it is more likely than not that Finio Loans wasn't aware of this, given that any previous difficulty Mr E might have had doesn't appear to have been priced into the APR that Mr E received on this loan.

Given the amount of the monthly payments and the lack of obvious indicators of difficulty in the information Finio Loans did obtain and what was obtained suggested the loan payments were affordable, I don't think that reasonable and proportionate checks would have extended into requesting copies of Mr E'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 E's regular living costs. I don't think that obtaining bank statements was the only way that Finio Loans could have done this. So, in my view, Finio Loans couldn't possibly be expected to know about Mr E's addiction and the fact that this would make repaying this loan difficult.

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

In reaching this conclusion, I acknowledge that this has resulted in a different outcome to a separate complaint about a different lender, which provided Mr E with a loan months before this loan. I don't know the specifics and intricacies of why Mr E's other complaint was upheld. But this doesn't in itself automatically mean that this complaint should also be upheld. My role here is to reach my own individual view bearing in mind the facts of this particular case.

In any event, what I do know about Mr E's other case is that the case handler concluded that the lender did know about Mr E's previous difficulties, as so was required to take this into account when deciding whether to lend. Whereas in this case, I've considered what Finio Loans knew about Mr E and I've also cross-checked this against the copy of the credit file Mr E provided us with.

Having done all of this, it seems to me that Finio Loans could not have known about Mr E's previous circumstances. This is because Mr E's credit record does not show the loans that Mr E says have been removed and the break between Mr E's last loan with Finio Loans' sister company and this loan means that Finio Loans could not reasonably be expected to have taken Mr E's previous lending into account either.

So while I'm required to consider each case on its individual facts and not simply rubber-stamp what might have happened on previous cases, nonetheless, I don't consider that the outcome I've reached here is inconsistent, or incompatible, with the other case Mr E has received an outcome on and has referred to.

Overall and having considered everything, I don't think that Finio Loans treated Mr E unfairly or unreasonably when providing him with his loan. And I'm not upholding Mr E's complaint. I appreciate this will be very disappointing for Mr E. 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 E's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 19 December 2023.

Jeshen Narayanan
Ombudsman