

Complaint

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

He says he was in financial difficulty and shouldn’t have been provided with these loans.

Background

Likely Loans provided Mr S with a first loan for £500 in December 2019. This loan was due to be repaid in 12 monthly instalments of £57.98. This loan was settled early in January 2020.

In June 2021, Mr S was provided with a second loan for £1,000.00. This loan also had a 12-month term and had monthly repayments of £106.41.

One of our adjudicators reviewed what Mr S and Likely Loans had told us. And he thought that Likely Loans hadn’t done anything wrong or treated Mr S unfairly when providing either of his loans. So he didn’t recommend that Mr S’ complaint be upheld.

Mr S 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 S’ complaint.

Having carefully thought about everything, I’ve not been persuaded to uphold Mr S’ complaint. I’ll explain why in a bit 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 S 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 provided Mr S with loans for £500 in December 2019 and £1,000.00 in June 2021. These loans were due to be repaid in 12 instalments of £57.98, and £106.41 respectively. Likely Loans says it agreed to Mr S' applications after he provided details of his monthly income and some information on his expenditure.

It says it cross-checked this against information on credit searches it carried out and all of this information showed Mr S could comfortably make the repayments he was committing to. On the other hand, Mr S has said these loans were unaffordable.

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

The first thing for me to say is that Likely Loans has an indication of what it saw about Mr S' debts at the time of his applications. Crucially, Mr S' debt total at the time of the applications was reasonable in comparison to his income and they appeared to be relatively well managed.

I've also kept in mind that loan 1 was settled early and loan 2 wasn't taken until almost a year and a half after loan 1 had been settled. So I don't think that it was immediately obvious that Mr S might have been taking loan 2 because of the effect his previous Likely Loans loan had left on his finances. And there isn't anything else obvious in either of these applications which lead me to think that further checks would have been reasonable and proportionate.

I accept that Mr S' actual circumstances may not have been fully reflected either in the information he provided, or the information Likely Loans obtained. Equally I accept that if Likely Loans had gone into the depth of checks Mr S appears to be saying it should have – such as obtaining bank statements in the same way a mortgage provider would – it may have reached a different answer.

But the key here is that Likely Loans wasn't providing Mr S with a mortgage. It was providing loans for small sums with relatively low repayments. It's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong.

Given the circumstances here, and the lack of obvious inconsistencies, I don't think that reasonable and proportionate checks would have extended further.

As this is the case, I don't think that Likely Loans did anything wrong when deciding to lend to Mr S - it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable. And the second loan was provided in circumstances where Mr S' indebtedness, at least to it, didn't appear to be increasing unsustainably.

So overall I don't think that Likely Loans treated Mr S unfairly or unreasonably when providing him with his loans. And I'm not upholding Mr S' complaint. I appreciate this will be very disappointing for Mr S. 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 S' complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 25 August 2023.

Jeshen Narayanan
Ombudsman