

Complaint

Mr M has complained about a loan Oakbrook Finance Limited (trading as “Likely Loans”) provided to him.

He says he was experiencing hardship and had to take out another loan to repay this one.

Background

Likely Loans provided Mr M with a loan for £3,000.00 in August 2021. This loan was due to be repaid in 24 monthly instalments of £196.31.

One of our investigators reviewed what Mr M and Likely Loans had told us. And he didn’t recommend that Mr M’s complaint be upheld.

Mr M disagreed with our investigator’s assessment 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 M’s complaint.

Having carefully considered everything, I’ve decided not to uphold Mr M’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 M 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 M’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 information it obtained through open banking and all of this showed Mr M could afford to make the repayments he was committing to.

On the other hand, Mr M has said he was in financial difficulty, had to borrow from elsewhere in order to settle this loan and so shouldn't have been lent to.

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

The first thing for me to say is that Likely Loans didn't just simply accept what Mr M had told it. It carried out credit searches which showed that while Mr M had two defaulted accounts and a previous settled County Court Judgment ("CCJ") these were historic in that the most recent event was approaching almost two years prior to this application.

Furthermore, Mr M's unsecured credit commitments weren't excessive in comparison to his income and there was no recent payday loan usage.

I accept that Mr M 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 M has said that he struggled to make his repayments and that he was only able to repay this loan early by taking out another loan early.

I'm sorry to hear about what Mr M has told us. But it's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong. Mr M didn't have to settle the outstanding balance on this loan in full in April 2022, indeed the expectation was that he would keep making payments until August 2023.

So while Mr M might have borrowed from another lender to settle his loan early, I don't think it is reasonable to expect Likely Loans to have accounted for this possibility. I would simply have expected it to make reasonable enquiries into Mr M's ability to make the 24 monthly instalments, which I'm satisfied that it did do so here.

Given the amount of the monthly payments and the lack of obvious indicators of any recent difficulty in the information Likely Loans did obtain, I don't think that reasonable and proportionate checks would have extended into requesting copies of Mr M'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 M's regular living costs. And I don't think that obtaining bank statements was the only way that Likely Loans could have done this.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 8 November 2023.

Jeshen Narayanan
Ombudsman