

The complaint

Mr P complains Oakbrook Finance Limited trading as Likely Loans approved his loan before carrying out sufficient checks, and this caused him to be given a loan that was unaffordable.

What happened

Mr P took out a £3,000 loan with Oakbrook in November 2021. It was to be repaid with 12 monthly payments of £281.42.

Mr P complained the loan was unaffordable, and the lending caused him financial difficulties. Likely Loans looked into Mr P's concerns and issued their final response. In this, they explained they were satisfied they carried out sufficient checks, and those checks demonstrated the borrowing was affordable for Mr P's circumstances at the time. As such, they didn't uphold his complaint. Mr P remained unhappy, so referred his complaint to our Service.

Our Investigator didn't think Mr P's complaint should be upheld. He felt Likely Loans' checks were reasonable and proportionate. But even if they had conducted additional checks, having seen Mr B's bank statements for the three-month period before the loan was taken out, our Investigator didn't think they evidenced the loan would/might have been unaffordable.

Mr P disagreed with our Investigator, so his complaint was passed to me for a final decision.

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.

Having done so, I'm not upholding this complaint. I know this will come as a disappointment to Mr P, so I'll explain my reasoning below.

We've set out our approach to complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Mr P's complaint.

Likely Loans were expected to carry out reasonable and proportionate checks so that they could understand if any lending would be affordable for Mr P. The relevant rules don't set out specifically what constitutes reasonable and proportionate checks. However, relevant checks should include things such as a customer's income (over the full term of the loan), and their outgoings. And these checks should be reasonable and proportionate to the amount of credit being provided, the amount of repayments, and the term of the loan.

Our general approach to proportionate checks accepts that in the early stages of a lending relationship, the lender's checks may be less thorough – in terms of the information it gathers and relies on. So, this is something I've considered in Mr P's case as I've seen nothing to suggest he'd had loans from Likely Loans before.

Mr P took out a £3,000 loan in late November 2021, with monthly repayments of £281.42. Likely Loans say they approved this loan after Mr P confirmed his annual income as £38,000 and provided a copy of a payslip to confirm his monthly income was around £1,700. He'd also told them he lived with his parents. They also carried out a number of checks, including a credit check to understand his outgoings and financial circumstances. After doing these checks, Likely Loans considered the loan would be affordable because Mr P would have had a disposable income (after the loan repayment) of around £450.

I've seen the data from Mr P's application and the payslip he shared with Likely Loans. I've considered this alongside a copy of Mr P's credit report that he sent to us. Having done so, I don't consider there was anything in this information that ought to have caused Likely Loans to conduct further checks.

Mr P may argue that he had previously used payday loans and had a default. But these events occurred more than two years before he applied for the borrowing from Likely Loans. And this is why I don't agree they should be used as a reason to say the loan complained about was unaffordable.

However, even if Likely Loans had carried out further checks, I'm not persuaded they would have resulted in a different outcome. I say this after reviewing Mr P's bank statements that covered August to October 2021. These showed Mr P's account was generally always in credit and there was nothing to indicate any kind of compulsive spending. In addition to this, a large proportion of his money tended to be used towards food and leisure activities. This suggests he wasn't struggling financially when he applied for the loan.

Given the above, I'm satisfied Likely Loans' checks were reasonable and proportionate. While Mr P may have fallen into financial difficulties after taking out the loan, I've not seen anything to persuade me Likely Loans ought to have known that could happen when reviewing his application. It's for these reasons I cannot agree Likely Loans lent to Mr P irresponsibly.

For the reasons above, I'm not upholding Mr P's complaint.

My final decision

My final decision is that I'm not upholding Mr P's complaint about Oakbrook Finance Limited trading as Likely Loans.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 14 September 2023.

Sarrah Turay
Ombudsman