

The complaint

Miss C complains about a loan Oakbrook Finance Limited lent her. She says the loan was lent irresponsibly as she couldn't afford it and she suffered from bipolar manic episodes and wasn't in the right frame of mind to make financial commitments.

What happened

In May 2022, Oakbrook lent Miss C one loan for £2,500, the loan was repayable in 24 monthly instalments of £149.74. The loan account has defaulted as Miss C hasn't managed to keep up with her monthly repayments.

Oakbrook didn't think it did anything wrong when Miss C complained to it, so she referred her complaint to the Financial Ombudsman Service where it was looked at by one of our adjudicators. Our adjudicator didn't recommend that the complaint should be upheld, he thought Oakbrook wasn't wrong to lend in the circumstances.

Miss C disagreed, she said she had another complaint about a loan around the same time upheld. She also reiterated her point that she had bipolar manic episodes that meant she wasn't in the right frame of mind to take on any financial commitments.

As the complaint has remained unresolved it has been passed to me – an ombudsman for a decision. My decision is the final stage in the Financial Ombudsman's process and if Miss C accepts my decision, it becomes legally binding on both parties.

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.

Oakbrook is aware of its obligations under the rules and regulations in place at the time of this lending decision, including the Consumer Credit Sourcebook ("CONC"), so I won't repeat them here. But briefly, it was required to carry out sufficient checks to ensure that Miss C would be able to repay the borrowing applied for in a sustainable way. As set out in CONC 5.3.1G(2) that means that he could manage the repayments,

"...without...incurring financial difficulties or experiencing significant adverse consequences".

Oakbrook has said it asked Miss C about her income and verified this using her payslip for March 2022 pay period. It also said it searched Miss C's credit file and has provided an outline of what its search at the time found.

Miss C's payslip showed her income was around £2,470 per month, similar to what she declared. The results of the credit file showed Miss C had three active accounts with a total outstanding balance of £140, this balance was on her credit card and was below the limit. There were no other open accounts showing at the time of the search. The search also showed Miss C had four defaulted accounts with the most recent default around 23 months before the loan. Those defaulted accounts had been repaid and were showing as satisfied.

I wouldn't have expected Oakbrook to decline Miss C's application based on those historic defaults that had now been settled. From what Oakbrook could see from its search into Miss C's account, there were no signs she was in financial difficulties or that she would struggle to repay the loan.

Oakbrook says it based her living costs on data from the Office of National Statistics (ONS) and worked out her monthly living costs was around £1,310. I think it would have been reasonable for Oakbrook to have asked Miss C about her living costs as well, given that she was going into this 24-month term loan.

Miss C has provided copies of her bank statements and I've used this to understand what she'd likely have declared as her living costs at the time of the loan and whether Oakbrook lent when it shouldn't have. From what I can see, Miss C's average regular living costs within the three-month period was between £1,300 and £1,500.

Thinking about Miss C's income, and credit commitments, she was left with sufficient disposable income to meet emergencies and further expenses while being able to repay the loan over the term. So even if Oakbrook had asked Miss C about her monthly living costs, it's likely to have found she could afford to repay the loan over the term.

Miss C has raised some points in response to the adjudicator's view and I've carefully considered this. Looking at the information from the time of sale, there's nothing to suggest Miss C told Oakbrook about her bipolar episodes. There's also nothing to suggest Oakbrook should have found this out through reasonable checks. In this circumstance it wasn't something I'd have expected Oakbrook to consider when Miss C applied for the loan.

Miss C has also said she had another complaint upheld. I won't be commenting about that as I'm required to look at the circumstances of the sale of this loan and what Oakbrook knew or ought to have known at the time. I think based on reasonable checks, which I think Oakbrook carried, it wasn't unreasonable for it to lend.

Having fully considered all the evidence I don't think Oakbrook unfairly lent to Miss C and so I won't be asking it to close her account or remove adverse information from her credit file.

However, I'd remind Oakbrook to treat Miss C positively now that she's struggling to meet her repayments and in light of the information she has shared about her medical condition.

My final decision

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 18 October 2023.

Oyetola Oduola
Ombudsman