

## The complaint

Mr H complains about a loan OAKBROOK FINANCE LIMITED (trading as “Likely Loans”) provided him. He says the loan was unaffordable given his circumstances at the time and so shouldn’t have been provided.

## What happened

Likely Loans provided Mr H with a loan for £7,000 in March 2021. This loan was due to be repaid in 60 monthly instalments of £195.09. Mr H says Likely Loans was irresponsible when it agreed to advance the loan to him.

Likely Loans rejected this complaint. It says there’s no evidence to suggest that the loan was unaffordable to Mr H. It explained the checks it had completed when Mr H applied for the loan and said it was satisfied that it had considered both his credit worthiness and the affordability of the loan, and it had concluded that Mr H had sufficient disposable income at the time to make his monthly repayments.

Our investigator looked at this complaint but said he didn’t think it should be upheld. He explained that having reviewed all the available information, he couldn’t conclude that the loan was unaffordable and that it shouldn’t have been provided to Mr H.

Mr H disagreed so the complaint comes to me to decide.

## 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.

Our website explains how we handle complaints about unaffordable and irresponsible lending, and I’ve used this approach to help me decide Mr H’s complaint. Having carefully thought about everything, I’m not upholding Mr H’s complaint and 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 H could afford the repayments 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. 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 H's application after he provided details of his monthly income and some other additional information. It says it cross-checked this against information on a credit search it carried out; it used *Current Account Turnover (CATO)* to validate his income and it obtained additional information through *Open Banking*.

Likely Loans says it also used *CAIS* – a database of a customer's credit accounts and account behaviour over the previous six years – and *ONS* to fairly estimate monthly living expenses. It says this information showed that Mr H could afford to make the repayments he was committing to.

On the other hand, Mr H has said he was in financial difficulty, and he's told us about his difficult circumstances at the time he took out the loan.

So, I've carefully thought about what Mr H and Likely Loans have said.

The first thing for me to say is that Likely Loans didn't just simply accept what Mr H had told it. It carried out searches which showed that Mr H's unsecured credit commitments weren't excessive in comparison to his income and there was no significant adverse information such as defaulted accounts – there were two defaulted accounts, but these were more than two years earlier. And the search confirmed no other significant adverse credit information and no recent payday loan usage.

I accept that Mr H 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, and I know that Mr H has disputed the amount attributed to his living costs. But given there wasn't anything in the other information gathered to indicate that Mr H fell outside the profile of the average borrower, I've not seen anything to suggest that it was unreasonable to rely on average data supplied by the *Office for National Statistics (ONS)* in this instance.

I've noted what Mr H has told us about his circumstances at the time and about having an addiction, and I'm sorry to hear what Mr H has told us. But it's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong. Likely Loans wasn't aware of what Mr H has now told us and I can't say it ought to have been aware of this given what the information it did obtain showed. There's simply nothing from the time Mr H took out his loan that I've seen that would've given Likely Loans cause to investigate Mr H's circumstances further.

I accept that if Likely Loans had carried out further checks – such as obtaining bank statements – it might have reached a different outcome. But the key here is that it's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong.

Given the amount of the monthly payments and the lack of obvious indicators of significant 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 H'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 H'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 H - 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 H unfairly or unreasonably when it provided him with his loan and as a result, I'm not upholding this complaint.

I know that Mr H will be disappointed with the outcome of his complaint, but I hope he understands why I've reached this conclusion.

### **My final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 2 February 2024.

Andrew Macnamara  
**Ombudsman**