

Complaint

Miss P complains that Oodle Financial Services Limited (“Oodle”) unfairly entered into a hire-purchase agreement with her. She’s said that the monthly payments to this agreement were unaffordable and better checks would have shown this.

Background

Miss P also complained about the quality of the vehicle that she was sold. But she’s not referred a complaint to us on this basis. Therefore, this decision is only looking at whether Oodle acted fairly and reasonably when it decided to lend to Miss P.

In April 2023, Oodle provided Miss P with finance for a used car. The purchase price of the vehicle was £14,795.00. Miss P did not pay a deposit and borrowed the entire amount for her purchase from Oodle.

The loan had interest, fees and total charges of £6,074.60 (comprising of interest of £6,073.60 and an option to purchase fee of £1), and a 60-month term. This meant that the total amount to be repaid of £20,869.60 was due to be repaid in 59 monthly instalments of £347.81 and then a final instalment of 348.81.

Miss P’s complaint was considered by one of our investigators. She didn’t think that Oodle had done anything wrong or treated Miss P unfairly. So she didn’t recommend that Miss P’s complaint should be upheld.

Miss P disagreed with our investigator and the complaint was passed to an ombudsman for a final decision.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

Having carefully considered everything, I’m not upholding Miss P’s complaint. I’ll explain why in a little more detail.

We’ve explained how we handle complaints about irresponsible and unaffordable lending on our website. And I’ve used this approach to help me decide Miss P’s complaint.

Oodle needed to make sure that it didn’t lend irresponsibly. In practice, what this means is that Oodle needed to carry out proportionate checks to be able to understand whether any lending was sustainable for Miss P before providing it.

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 that information – 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, the amount lent was high, or the information the lender had – such as a significantly impaired credit history – suggested the lender needed to know more about a prospective borrower's ability to repay.

Having carefully thought about everything I've been provided with, I'm not upholding Miss P's complaint. I'd like to explain why in a little more detail.

Oodle says it agreed to this application after Miss P provided details of her salary which it verified with payslips. It says it also carried out credit searches on Miss P which showed some outstanding balances and that she had a defaulted account although it considered the default to be historic as it occurred almost six years prior to this application. And when reasonable payments based on the amount Miss P owed to existing creditors, plus estimates of her living expenses were deducted from her monthly income the monthly payments were still affordable.

On the other hand, Miss P says the monthly payments were unaffordable.

I've thought about what Miss P and Oodle have said.

The first thing for me to say is that Oodle didn't simply accept Miss P's declarations at face value. To start with it obtained payslips from Miss P in order to validate her annual income. I realise that there has been some back and forth between Miss P and our investigator over what income figure Oodle used and why. From the information, it looks like Oodle used the gross monthly income figure on her payslips. This is because it wanted to be confident of Miss P's annual salary.

I've not seen anything to indicate that Oodle relied on Miss P taking home the amount of her gross salary each month. Oodle also carried out a credit check. Oodle's credit check suggested that Miss P didn't owe much as much as she is suggesting and that she was managing her existing credit well, at the time at least.

Furthermore, while Miss P says she had two defaults on her credit file at the time, the defaults she is referring to took place in February 2017 and November 2017. As defaulted accounts are normally only reported on for six years, the Oodle wouldn't have been aware of the February 2017 default at the time it was considering Miss P's application.

Nevertheless, given the presence of a default on Miss P's credit file and the amount of the monthly payment as well as the term of the agreement, it's arguable that Oodle needed to find out more about Miss P's actual living expenses, rather than relying on an estimate of these.

In any event, I don't think that Oodle carrying out further checks is more likely than not to have made a difference here. I say this because I'm satisfied that Oodle is still likely to have lent to Miss P even if it had found out more about her actual living expenses. To be clear, I wouldn't have expected Oodle to carry out a forensic analysis of her income and expenditure. I think that, at best, Oodle ought to have asked Miss P a bit more about her regular living expenses.

I think that if it had done this here, Oodle was more likely that not to have concluded that Miss P could sustainably make the repayments due under this agreement. In my view, when the payments to credit which Oodle factored into its assessment (based on its credit search) are added to the payments I've been able to see for Miss P's living expenses and then deducted from her income, she would appear to have sufficient funds to make the payments to this agreement.

I accept it's possible that Miss P's actual circumstances at the time might have been worse than what the information shows. For example, I've seen what Miss P has said about being in her overdraft and paying more towards credit. But there isn't a prohibition in relation to lending to a customer who is using her overdraft.

Equally, Miss P appears to be making cash transfers out of her account as well. So it isn't apparent to me that she was trapped in her overdraft as a result of meeting her existing commitments or that her overdraft usage meant that she shouldn't have been lent to. I'd also add that if Miss P believes that her overdraft usage was unsustainable this is a matter she needs to take up with her bank, rather than with Oodle.

Furthermore, Miss P has argued that her repayments to credit were higher than the amount used to calculate her disposable income. However, having reviewed her bank statements, it's clear that Miss P was making regular buy now pay later ("BNPL") transactions. These won't have shown up in the credit searches Oodle carried out and therefore it won't have known about this.

I should also point out that Miss P would only have had to make these BNPL payments for a couple of months more at most. So, in any event, I don't think that it would be reasonable to consider these BNPL payments as a commitment that Miss P would have to make over the course of the five years that she'd have to make payments to her Oodle agreement for.

I also have to take into account that Miss P, at the time at least, thought that it was an appropriate time to purchase a vehicle. And the information she is likely to have provided at this stage would have been geared towards being approved for the finance, rather than making a successful complaint about irresponsible lending.

With this in mind, I think that if Miss P had been questioned more about her BNPL purchases, it is highly unlikely (and almost certainly less likely than not) that she would have declared plans to continue making purchases in this way and that she'd therefore have similar payments to make for the duration of this agreement.

Overall and having carefully considered everything, while it's arguable that Oodle's checks before entering into this hire purchase agreement with Miss P ought to have gone further, I'm satisfied that carrying out further checks won't have stopped Oodle from providing these funds, or entering into this agreement with Miss P. So I'm satisfied that Oodle didn't act unfairly towards Miss P when it entered into this agreement with her.

I'm therefore not upholding Miss P's complaint. I appreciate that this will be disappointing for Miss P. But I hope that she'll understand the reasons for my decision - namely why I think that proportionate checks are likely to have shown the payments to this agreement were affordable - and she'll at least consider that her concerns have been listened to.

My final decision

My final decision is that I'm not upholding Miss P's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss P to accept or reject my decision before 10 June 2024.

Jeshen Narayanan
Ombudsman

