

Complaint

Miss D has complained about a loan Oakbrook Finance Limited (trading as “Likely Loans”) provided to her. She says the loan was unaffordable.

Background

Likely Loans provided Miss D with an initial loan for £5,000.00 in February 2019. This loan had an APR of 59.9% and was due to be repaid in 36 monthly instalments of just under £265, which meant the total amount to be repaid was £9,507.12. This loan was settled early with some of the proceeds from loan 2 in December 2021.

Likely Loans provided Miss D with a second loan for £5,000.00 in December 2021. This loan had an APR of 39.9% and was due to be repaid in 36 monthly instalments of just under £225, which meant the total amount to be repaid was £8,048.88.

When it looked at Miss D’s complaint, Likely Loans agreed that it shouldn’t have provided Miss D with loan 2. And it agreed to put things right in the way that we would if we were to uphold the complaint. So we didn’t look at the complaint about loan 2 and only looked at whether Likely Loans acted fairly and reasonably when providing loan 1 to Miss D.

One of our adjudicators reviewed what Miss D and Likely Loans had told us. And he thought Likely Loans hadn’t done anything wrong or treated Miss D unfairly when providing loan 1. So he didn’t recommend that Miss D’s complaint be upheld.

Miss D disagreed and asked for an ombudsman to look at her 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 Miss D’s complaint.

Having carefully considered everything, I’ve decided not to uphold Miss D’s complaint. 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 Miss D 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 Miss D's application after she provided details of her monthly income and some information on her expenditure. It says it cross-checked this against information on a credit search it carried out and all of this information showed Miss D could to comfortably make the monthly repayments she was committing to.

On the other hand, Miss D has said she couldn't afford the payments. And she doesn't understand how and why the complaint about loan 1 hasn't been upheld when the complaint about loan 2 which was taken out for a similar amount and had lower monthly repayments was upheld.

I've carefully thought about what Miss D and Likely Loans have said.

Likely Loans credit file enquiries showed Miss D's debt total at the time of the application was reasonable in comparison to her declared income, appeared to be reasonably managed and there was no significant recent indications of difficulty such as defaults in the last three years or county court judgements in the last two years.

I understand that Miss D had had previous difficulties with credit but these were historic. Furthermore, the rest of the income and expenditure information obtained at this time suggested that the repayments to loan 1 were affordable.

I accept that Miss D's actual circumstances may not have been fully reflected either in the information she provided, or the information Likely Loans obtained. But given there wasn't anything in the other information gathered, to indicate that Miss D fell outside the profile of the average borrower, I don't think that it was unreasonable to rely on average data in this instance.

I also 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 circumstances here, the lack of obvious inconsistencies as well as the relative plausibility of what had already been gathered, I don't think that reasonable and proportionate checks would have extended into the level of checks Miss D is suggesting. As this is the case, I think that Likely Loans 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 Miss D unfairly or unreasonably when providing her with loan 1. And I'm not upholding Miss D's complaint. I appreciate this will be very disappointing for Miss D – especially as Likely Loans upheld her complaint about loan 2. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Miss D's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss D to accept or reject my decision before 25 August 2023.

Jeshen Narayanan
Ombudsman