

Complaint

Mr R has complained about loans Oakbrook Finance Limited (trading as “Likely Loans”) provided to him. He says the loans were unaffordable.

Background

Likely Loans provided Mr R with a first loan for £1,400.00 in February 2019. This loan was due to be repaid in 12 monthly instalments of £162.35. In October 2019, Mr R was provided with a second loan for £3,500.00. This loan had a 24-month term with 24 monthly repayments of £265.87.

One of our adjudicators reviewed what Mr R and Likely Loans had told us. And he thought that Likely Loans hadn’t done anything wrong or treated Mr R unfairly. So he didn’t recommend that Mr R’s complaint be upheld. Mr R disagreed and asked for an ombudsman to look at his 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 Mr R’s complaint.

Having carefully considered everything provided, I’m not upholding Mr R’s complaint. I’ll explain why in a little 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 R 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 provided Mr R with loans for £1,400.00 and £3,500.00 in February 2019 and October 2019. These loans were due to be repaid in 12 and 24 monthly instalments respectively. Likely Loans says it agreed to Mr R’s applications after he provided details of his monthly income, which was verified by recent payslips and some information on his expenditure. It says it cross-checked this against information on a credit search it carried out.

And all of this information showed Mr R could comfortably afford to make the repayments he was committing to. On the other hand, Mr R has said the loans were unaffordable.

I've carefully thought about what Mr R and Likely Loans have said.

The first thing for me to say is that Likely Loans has provided us with an indication of what it saw about Mr R's debts at the time of his applications. Crucially, Mr R's debt total at the time of the applications was reasonable in comparison to his income and they appeared to be relatively well managed. For example there were no recent arrears, defaults or county court judgments recorded against him.

I've also kept in mind that Likely Loans provided a second loan to Mr R and that sometimes repeat borrowing in itself can be an indication of difficulty. But Mr R repaid loan 1 in full before loan 2 was provided. And while there wasn't an extended break between loan 1 being repaid and loan 2 being provided, the amount borrowed for loan 2 didn't make it appear as though it was being taken because of the hole the repayment of loan 1 had left in Mr R's finances.

Furthermore, the term of loan 2 meant that Mr R would still have been indebted for less than 3 years in total. Although I do think that the amount borrowed for loan 2 was a warning sign that Likely Loans ought to have kept in mind should Mr R have gone on to make any further applications for loans. In other words, I think that Likely Loans would have had to apply increased scrutiny to an application for a third loan should Mr R have made one.

So while the pattern of lending here has seen me take a closer look at the individual applications, I'm satisfied that it wasn't immediately obvious that loan 2 was demonstrably unsustainable for Mr R. And there isn't anything else obvious in either of these applications which clearly demonstrates Mr R couldn't have afforded the loans either.

I accept that Mr R's actual circumstances may not have been fully reflected either in the information he provided, or the information Likely Loans obtained. I know Mr R has referred to having defaults. 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 any defaulted accounts showing in Likely Loans' credit checks as well as the lack of any obvious inconsistencies in the rest of the information gathered, I'm satisfied that Likely Loans was reasonably entitled to lend to Mr R.

As this is the case, I don't think that Likely Loans did anything wrong when deciding to lend to Mr R - it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable. And the second loan was provided in circumstances where Mr R's indebtedness didn't appear to be increasing unsustainably.

So overall I don't think that Likely Loans treated Mr R unfairly or unreasonably when providing him with his loans. And I'm not upholding Mr R's complaint. I appreciate this will be very disappointing for Mr R. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mr R's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 21 August 2023.

Jeshen Narayanan
Ombudsman