

The complaint

Mrs W is complaining about Oodle Financial Services Limited. She says they shouldn't have lent to her because the repayments weren't affordable. Mrs W was represented in the complaint by a representative but for ease I've written as if we've dealt directly with her.

What happened

In September 2020, Mrs W took out a hire purchase agreement with Oodle to finance the purchase of a car. She borrowed £7,099 – the cash price of the vehicle. The agreement required Mrs W to make one payment of £242.26, followed by 58 monthly repayments of £192.26 and then a final payment of £242.26.

Mrs W complained to Oodle in April 2023, saying Oodle had failed to conduct appropriate affordability checks before lending to her. She said this was clear from her financial history, including a number of defaults and missed payments and a County Court Judgment (CCJ). And she said she was in a sustained period of arrears on her account and the lending contributed to her having to enter into an Individual Voluntary Arrangement (IVA).

Oodle upheld Mrs W's complaint. They offered to write off the remaining balance on the agreement and remove any negative information relating to the agreement from her credit file. Mrs W didn't accept the compensation Oodle offered and brought her complaint to our service.

One of our investigators looked into Mrs W's complaint and said in her opinion Oodle needed to refund any payments Mrs W had made over a fair usage charge of £3,840, together with simple interest at 8% per year. Oodle accepted our investigator's view and calculated that this would mean a refund of £1,073.68, with interest on top. They said they'd already written off the outstanding arrears on Mrs W's account. Mrs W didn't respond to our investigator's view so the matter's been passed to me for a decision.

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.

Having done so, I've reached the same conclusions as our investigator. I'll explain further below.

Because Oodle agreed that it was irresponsible to accept Mrs W's application for credit I've not considered their lending decision – I've just thought about what should be done to put things right.

Putting things right

Because Oodle shouldn't have approved the loan, it's not fair for them to charge any interest or other charges under the agreements. But Mrs W had the use of the vehicle, from the start of the agreement to when she terminated it voluntarily in June 2023. I think it's fair Oodle retain an amount for that use. There isn't an exact formula for working out what amount would reflect a customer's fair usage of a car. But in deciding what's fair and reasonable in

Mrs W's case I've thought about the amount of interest charged on the agreement, Mrs W's overall usage of the car, and what her costs to stay mobile would have likely been if he didn't have this car.

In doing so, I think a fair amount Mrs W should pay is £120 for each month she had use of the car, so a total of £3,840.

To settle Mrs W's complaint therefore, Oodle should do the following:

- End the agreement with nothing further to pay unless, as it seems, this has already been done.
- Refund all the payments Mrs W has made, less £3,840 for fair usage, adding 8% simple interest per year from the date of each overpayment to the date of settlement.
- Remove any adverse information recorded on Mrs W's credit file regarding the agreement.

If Oodle consider tax should be deducted from the interest element of my award they should provide Mrs W a certificate showing how much they've taken off so that Mrs W can reclaim that amount, assuming she is eligible to do so.

My final decision

As I've explained above, I'm upholding Mrs W's complaint. Oodle Financial Services Limited need to take the steps outlined above to settle the matter.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 1 February 2024.

Clare King
Ombudsman