

The complaint

Mr S has complained that the loan provided by Oakbrook Finance Limited trading as Likely Loans (Likely Loans) was provided irresponsibly.

What happened

Mr S applied for a loan of £2,500 from Likely Loans on 7 August 2017. The purpose of the loan was debt consolidation. The loan details were:

Loan	Application	Date Drawn	Date Repaid	Instalments	Amount	Monthly Repayments	APR
1	7/8/2017	8/8/2017	Sold to third party	24	£2,500	£163.82	59.99%

The application quoted Mr S's gross income as £65,000 and said he was a tenant. Likely Loans approved the loan based on the information in the application and by using information from a credit reference agency (CRA).

A total of £3047.04 was repaid by Mr S. The remaining balance of £884.64 was passed to a debt collection agency to collect.

Mr S complained to Likely Loans. Likely Loan's final response letter was sent to Mr S on 14 January 2020. It rejected Mr S's complaint. They said that their assessment of the loan was based on its lending criteria at the time. And on the information provided by Mr S at the time, plus the data from the CRA.

Mr S complained to the Financial Ombudsman Service on 18 January 2020. He said that Likely Loans should not have lent the money. They should have been aware of his other debts and they couldn't have properly assessed his application. He provided bank statements for June 2017 to July 2017. These showed a significant number of payments to gambling businesses. There were also some payday loans credited to the account. He provided a credit report dated 25 October 2019. Likely Loans provided a credit report dated 13 January 2020. Both reports covered the period of the loan application.

The investigator gave her view on 3 September 2020. She said that Likely Loans had to carry out reasonable and proportionate checks to ensure the lending was sustainable. It was down to Likely Loans to decide what checks it carried out. Likely Loans did carry out a credit check but was not able to provide a copy of the credit report. The credit report dated January 2020 showed that there were some payday loans outstanding at the time of Mr S's application. The purpose of the new loan was for debt consolidation and it appeared that most of the short-term debt was repaid from the new loan - five of the payday loans were settled the day after taking the loan from Likely Loans. The new payday loans were taken in the three-week period prior to taking the loan from Likely Loans. These may not have shown up in the credit searches done by Likely Loans because of the way that data was submitted by lenders to the CRAs.

Mr S disagreed with the investigator's view and asked for his complaint to be reviewed by an ombudsman.

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.

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When looking at whether businesses lent irresponsibly, we look at:

- Whether the lender completed reasonable and proportionate checks to confirm that repayments could be made on a sustainable basis.
- Did the lender make a fair lending decision in view of the information it gathered?
- If the relevant checks were not completed, if they had been, would they have shown that the lending decision would have been the same.

Likely Loans have not been able to produce the credit checks it did at the time. So, I have to consider what information Likely Loans would probably have had at the time of making the lending decision and on that basis, decide whether they lent responsibly.

Likely Loans were told in Mr S's application that his salary was gross £65,000 per annum and the electoral roll search showed that he was living with his parents.

I have looked at the credit reports. They show that Mr S took out many short-term loans from payday loan companies around the time of the application to Likely Loans. Typically, these were for low amounts (typically £100 to £500), for repayment within one month.

Firstly, I can see that many of them were taken out after the loan from Likely Loans, and so that information would not have been available to Likely Loans at the time of the application.

Secondly, I can see that several loans from payday lenders were taken out in the period between May 2017 and June 2017. These were all repaid in about a month. Likely Loans would probably have seen this in its credit searches and so would have decided that Mr S was meeting his loan commitments.

I can also see that Mr S took out more than ten payday loans in July 2017 for amounts between £150 and £600. These debts would have been outstanding at the time of his application to Likely Loans. I can't say whether these would have been shown in the credit searches undertaken by Likely Loans on 7 August 2017. This is because the timing of when lenders send information to the CRAs is variable – the credit reports show that some report data at the start of the month, some at the end of the month. Lenders may have not reported information on loans made in July until the end of August. So I can't safely say Likely Loans would have been unaware of those loans at the time. And in any event, the intended purpose of the loan here was consolidation so I don't think it would have been unreasonable for Likely Loans to take the view that Mr S would use the money as stated (that is to reduce his borrowing).

Mr S has provided his bank account statements for July 2017. These show significant expenditure to particular businesses. So, it looks to me as if Mr S's financial problems began to get serious in July 2017. But I don't think that Likely Loans asked for these or should have asked for them because I don't think at this point there was anything on the credit bureau information that was cause for concern such to have reasonably prompted further enquiries.

While I'm really sorry to hear Mr S's situation worsened, I consider the checks Likely Loans completed to have been reasonable and proportionate. Taking everything I've seen, I cannot fairly say that Likely Loans did anything wrong in approving the loan Mr S applied for, and as such I won't be upholding this complaint or asking them to do anymore.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 14 January 2021.

Martin Lord
Ombudsman