

## **The complaint**

Mr M complains that Oakbrook Finance Limited (trading as Likely Loans) was irresponsible to lend to him.

## **What happened**

Mr M took out his first loan with Likely Loans on 3 June 2018. He initially borrowed £1,200 and was due to repay £139.16 per month for 12 months. After he'd made his first six payments, Mr M applied for a £1,300 top-up loan on 11 December 2018. The new contractual instalments became £162.91 over 24 months, but Mr M settled the account on 29 July 2019.

Mr M says that Likely Loans lent to him within ten minutes of applying. He says he had a very poor credit rating and Likely Loans didn't carry out any checks. Mr M says he had to take out other high interest loans to make the repayments which left him even worse off financially.

Likely Loans says it conducted its standard credit checks for both loans as well as asking Mr M about his income and expenditure. It said it found no evidence to suggest the information provided was incorrect, so could not agree that the loans were granted irresponsibly. Likely Loans added that Mr M contacted it in April 2019 to advise that that month's payment was unaffordable due to an unexpected bill. It said it agreed a temporary repayment arrangement which Mr M maintained until he settled the loan in July 2019.

Our adjudicator did not recommend the complaint should be upheld. She said that, although she was satisfied Likely Loans had carried out proportionate checks for the first loan, she didn't think that was the case for the top-up loan. However, she couldn't see that there was anything in the available information to show better checks would have caused Likely Loans to decline the second loan application. So she couldn't conclude Likely Loans had done anything wrong.

Mr M responded to say, in summary, that his credit score at the time he applied for both loans was very poor so, he says, Likely Loans cannot have properly investigated his financial circumstances. He said, had it done so, Likely Loans would not have approved the lending.

## **My provisional findings**

I issued a provisional decision to Mr M and to Likely Loans on 27 October 2020. I summarise my findings here:

- I was satisfied Likely Loans did enough checks before it approved Mr M's first loan and that there was nothing in the available information that indicated the loan was unaffordable;
- But I wasn't satisfied that the checks went far enough for Mr M's second loan because:
  - The loan was over a term of 24 months and Likely Loans needed to ensure the repayments were sustainable over that period;
  - This was Mr M's second loan;
  - Including the repayment of the initial loan, Mr M's indebtedness had increased to over £2,100;
- So I considered Likely Loans's checks should have included verification of Mr M's expenses to ensure he would be able to meet his repayments for this additional borrowing without experiencing adverse consequences;
- I found that a full financial review was likely to have shown that Mr M would have been left with around £400 of disposable income per month after making the loan repayment of £163;
- However, although Mr M wasn't able to provide all the relevant information from his bank statements, I could see Mr M had spent over £280 on gambling in fewer than four days.
- Indeed, there were over 300 account transactions made from mid-October 2018 to mid-November 2018 which suggested to me that Mr M's spending on gambling was frequent and took up a significant proportion of his income.

So I considered it was more likely than not, that had Likely Loans carried out proportional checks, it would have found Mr M was regularly spending significant amounts on gambling. Therefore, I found it was irresponsible for Likely Loans to have approved additional borrowing for Mr M as he was unlikely to be able to sustain the monthly repayments for 24 months.

Mr M accepted my provisional decision.

Likely Loans responded to say it had no further information to submit.

### **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.

I need to take into account the relevant rules, guidance and good industry practice.

As neither party provided any additional information, I see no reason to depart from my provisional decision.

### **My final decision**

My decision is that I partly uphold this complaint. Oakbrook Finance Limited (trading as Likely Loans) should:

- A. Add together the total of the repayments made by Mr M towards interest, fees and charges on the top-up loan, including payments made to a third party where applicable, but not including anything already refunded;
- B. Calculate 8% simple interest\* on the individual payments made by Mr M which were considered as part of "A", calculated from the date Mr M originally made the payments, to the date the complaint is settled;
- C. Pay Mr M the total of "A" plus "B";
- D. Remove any negative information recorded on Mr M's credit file regarding the top-up loan.

\*HM Revenue & Customs requires Likely Loans to take off tax from this interest. Likely Loans must give Mr M a certificate showing how much tax it's taken off if he asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 5 January 2021.

Amanda Williams

**Ombudsman**