DRN-2596565

Complaint

Miss W has complained about loans Oakbrook Finance Limited (trading as “Likely Loans”) provided to her. She says Likely Loans didn’t properly undertake affordability assessments before providing these loans.

Background

Likely Loans provided Miss W with a first loan of £3,000.00 in April 2018. This loan was due to be repaid in 24 monthly instalments of £196.58. In March 2019, Miss W approached Likely Loans for a further £2,500.00. Miss W was provided with a total loan amount of £4,460.57, which included £1,960.57 to settle the outstanding balance on loan 1. This loan was due to be repaid in 24 monthly repayments of £292.29. In October 2019, Miss W approached Likely Loans for a further £1,000.00. Miss W was provided with a total loan amount of £4,685.93, which included £3,685.93 to settle the outstanding balance on loan 2. All of the loans had an APR of 59.9%

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

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 W 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 W’s applications 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 W could to comfortably make the repayments she was committing to. On the other hand, Miss W has said she couldn’t afford the payments.

The first thing for me to say is that Likely Loans has provided a record of the credit search information it received for loans 1 and 2. Miss W says she had a history of payday loans, defaults and a county court judgement against her. But Likely Loans searches only showed a single historic default. And crucially, according to the credit searches, Miss W's debt totals at the time of the applications was reasonable in comparison to her income and they appeared to be reasonably managed.

I accept these searches may not have picked up everything about Miss W's circumstances. But this may be because Miss W appears to have been provided with credit using different details. And the information she provided Likely Loans with won't have pulled through that information. That said loans 2 and 3 were provided while previous loans were outstanding and I think this means it would have been reasonable and proportionate for further checks to have been carried out for those loans. So I've looked at the bank statements Miss W has provided to get an idea of what such checks might have shown.

Having done so, it seems to me that Miss W did have sufficient disposable income to make the monthly repayments to loans 2 and 3, once her contractual and non-discretionary commitments were deducted from her income. In reaching this conclusion, I have taken into account the amounts Miss W was gambling. But even when allowing for these transactions, it seems to me that she still had enough to make her loan repayments.

As this is the case, I don't think that Likely Loans did unfairly provide these loans to Miss W - it carried out proportionate checks for loan 1 and reasonably relied on what it found out which suggested the repayments were affordable. And for loans 2 and 3, I think further checks would simply have shown Miss W had the disposable income to make the required payments. Equally, bearing in mind the amount she owed, her overall indebtedness to Likely Loans didn't appear to be increasing unsustainably either.

So overall I don't think that Likely Loans treated Miss W unfairly or unreasonably when providing her with her loans. And I'm not upholding Miss W's complaint. I appreciate this will be very disappointing for Miss W. 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 W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 23 March 2021.

Jeshen Narayanan
Ombudsman