

## **Complaint**

Miss M has complained about a loan Oakbrook Finance Limited (trading as “Likely Loans”) provided to her. She says the loan is unaffordable and she’s struggling to repay it.

## **Background**

Likely Loans provided Miss M with a loan for £1,000.00 in February 2018. This loan had an APR of 59.9% and was due to be repaid in 12 monthly instalments of £106.50, which meant the total amount to be repaid was £1,278.00.

One of our adjudicators reviewed what Miss M and Likely Loans had told us. And she thought Likely Loans hadn’t done anything wrong or treated Miss M unfairly. So she didn’t recommend that Miss M’s complaint be upheld. Miss M disagreed and asked for an ombudsman to look at her 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 M’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 M 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 M’s application 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 M could to comfortably make the low monthly repayments she was committing to. On the other hand, Miss M has said she couldn’t afford the payments.

I’ve carefully thought about what Miss M and Likely Loans have said.

I have to start by saying that Miss M was borrowing a relatively low amount and was committing to maintain a relatively low monthly payment for not too long a period of time. So, in these circumstances, a lighter touch assessment might have been reasonable and

proportionate as long as the information obtained was consistent and plausible. Likely Loans credit file enquiries showed Miss M's debt total at the time of the application was reasonable in comparison to her declared income, appeared to be reasonably managed and she only had four active accounts.

I accept that Miss M's actual circumstances may not have been fully reflected either in the information she provided, or the information Likely Loans obtained. And I'm sorry to hear that she found it difficult to make her payments. It's possible that if Likely Loans had carried out further checks – such as obtaining bank statements – it might have discovered Miss M's gambling or her payday loans and potentially reached a different outcome. 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 obvious inconsistencies as well as the relative plausibility of what Likely Loans had gathered, I don't think that reasonable and proportionate checks would have extended into the level of checks Miss M is suggesting. As this is the case, I think that Likely Loans carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 8 April 2021.

Jeshen Narayanan  
**Ombudsman**