

The complaint

Miss B complains that Oakbrook Finance Limited trading as Likely Loans (Likely Loans) provided lending to her which was unaffordable and irresponsible. She says that she had significant debt at the time of the lending.

What happened

In January 2017 Miss B applied for a loan of £2000 with Likely Loans. The loan was approved at an interest rate of 47.9% APR with a total of £2687.76 being repayable over 18 months at £149.32 per month.

Miss B made payments on the loan until April 2017 via direct debit. In May and June 2017 the direct debits were returned unpaid, and Miss B made late manual payments. In July the direct debit was processed successfully. In August it was returned again and Miss B entered into a debt management plan and an affordable repayment plan was set up for repayments. The debt management plan was resolved in June 2018 and a hold was removed from the account. Likely Loans then sent Miss B a default notice.

Likely Loans told us that Miss B did not respond to their attempts to contact her and the account was defaulted on 13 July 2018. She made a final repayment on 21 September 2018 to clear the loan in full.

Miss B complained to Likely Loans that the original lending was irresponsible. She said that at the time of the lending decision she had a credit card debt of around £5000, an overdraft of around £2000, another £2000 loan, and payday loans.

In November 2020 Likely Loans issued their final response. They said that on the loan application Miss B had declared an income of £30,000 and advised that she was a tenant. They performed a standard credit assessment and a review of her credit report. They considered financial commitments, insolvency records, delinquency records, county court judgements and credit enquiries. The information in the reports showed that there were no defaults, no CCJ's and no active payday loans. The level of credit was reasonable and there was no evidence of excessive debt. They considered that the loan repayments on the loan applied for were affordable on the information provided.

Miss B was unhappy with this and brought her complaint to us.

Our investigator didn't uphold Miss B's complaint. He thought that it may have been appropriate for Likely Loans to have taken the additional step of verifying her income with a pay slip, but that ultimately, once that information was verified, Likely Loans would still have lent to Miss B.

Miss B does not agree and has provided bank statements showing her financial difficulties. She has asked for an ombudsman's 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.

I am not upholding this complaint and I will explain why.

In cases like this, I have to look at what checks the lender carried out when it made the decision to approve the lending and consider whether those checks were proportionate and in accordance with the Consumer Credit sourcebook (CONC) 5.2. This involves looking at what information was available to the lender at the time, and whether based on that information, the lender should have been alerted to the need to undertake further checks.

I have considered all of the information provided to me by Likely Loans about how they assessed Miss B's application, and I have also seen the information provided by Miss B, including the additional information about a loan that did not show up on her credit report.

Likely Loans said that at the date of the application, Miss B had an income of £30,000 and debt of £7800. After taking into account Miss B's income and rent payments, they calculated she had over £1000 in disposable income, and so could meet the loan repayments making the loan affordable.

Likely Loans could see that Miss B had missed three credit card payments, but that was the only issue on an otherwise good credit report. I don't consider that the missed payments were enough to alert Likely Loans to a serious problem. Miss B had advised Likely Loan that she wanted to borrow for debt consolidation and so it is likely that this would have included some of the credit card debt that was on the credit report.

I therefore consider that the checks that Likely Loans carried out on the information they had was proportionate for the credit applied for. I don't think there was any reason for them to ask for additional information.

I can see that Miss B has subsequently provided us with bank statements for the month before the loan was approved, which show significant gambling spending, and also active payday loans and an additional loan. However, none of this information was available to Likely Loans at the time the lending decision was made, and there would have been insufficient reasons for them to ask for bank statements given the good credit history. Miss B has provided us with evidence of an additional loan that she was repaying at the time this loan was applied for, which was not evident on the credit report. The repayments on this loan were £98.32 per month and the statements show that four of the monthly payments in the preceding 12 months had been returned unpaid, and Miss B had made a manual payment a few days later. As this data wasn't on the credit report, I can't take account of it, as Likely Loans were unaware of it at the time of the lending decision.

In view of the above I am unable to find that Likely Loans have failed in their obligations to assess creditworthiness in accordance with CONC 5.2.1.

I note that Miss B subsequently entered into a debt management plan and she paid off the loan in full. I am sorry that she has experienced a difficult time, and I can see from the information that she has provided that her financial difficulties have had an impact on her. However, I can't fairly say that Likely Loans have done anything wrong here.

My final decision

I'm not upholding this complaint, and Oakbrook Finance Limited trading as Likely Loans do not need to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 6 September 2021.

Joanne Ward
Ombudsman