

The complaint

Mrs O thinks that Oakbrook Finance Limited trading as Likely Loans, treated her unfairly when it lent her money in January 2018.

What happened

In January 2018, Likely Loans lent Mrs O £2,500, which Mrs O agreed to repay, with interest, over 24 months. The monthly repayments were £189.91, and if Mrs O made all her payments on time, she'd pay £4,557.84.

Mrs O thinks Likely Loans was irresponsible to lend her the money. She says it shouldn't have agreed to give her the loan as she was having problems with her finances at the time including with gambling.

Likely Loans has said it has upheld Mrs O's complaint and has made an offer to remove all interest from the loan, leaving the capital amount to repay minus repayments Mrs O has made. It has also said it would remove any adverse information on Mrs O's credit file.

Mrs O didn't accept Likely Loans offer and said she felt it should do more and suggested the capital amount should also be waived. She has more recently said it should at least waive half of the capital amount.

I issued a provisional decision on this complaint in May 2021. Both parties have received a copy of that provisional decision, but for completeness I include an extract from the decision below. I said;

"Did Likely Loans carry out proportionate checks?"

I've looked at what Likely Loans asked. It says that when it decided to agree the loan it used the information it received from Mrs O in her application together with information it received from a credit reference agency. It said it used this information in an internal credit scoring model and carried out a standard credit assessment.

I've looked at Likely Loans' record of Mrs O's application. This says Mrs O told them she had an annual gross income of £19,400 a year and had £440 in outgoings. I've also looked at the information Likely Loans received from the credit reference agency. It concluded that Mrs O met its affordability criteria at the time.

First of all I'm mindful that the rules that applied to Likely Loans at the time said it shouldn't accept an application where it suspected that the customer hadn't been truthful in completing the application in relation to information relevant to the creditworthiness assessment. I think it's unlikely that Mrs O would have had so small amount of expenses considering what it saw she had committed to repaying on the credit search it carried out in addition to any other monthly expenditure such as bills.

The information provided by Likely loans from the credit search is not in any detail and is more of a summary. And so, it has been difficult to see what the full credit search would

have shown Likely Loans at that time. In addition, the detailed credit file Likely Loans submitted in response to this complaint was created when it investigated Mrs O's complaint, and not at the point it lent Mrs O the money. So, I can't be certain to what extent the information it used in its affordability checks reflect the amounts show on the detailed credit report it has submitted.

But it was important for Likely Loans to consider whether it was sustainable for Mrs O to take on additional credit based on what it had in front of it. I have seen enough here when I consider the amount of existing debt Mrs O had in relation to what she had disclosed her expenditure to be, that makes me conclude that further checks were appropriate. Especially due to the length and amount of the loan that she was asking for. So, on balance, I don't think the checks it carried out were proportionate.

What would reasonable and proportionate checks have shown Likely Loans?

I've gone on to consider what further checks would have revealed. Mrs O has sent us some bank statements – they are not complete with dates missing. In most of the statements provided, only a few days at a time have been provided. But they are from a matter of weeks before the loan was taken out and in the absence of better information, I think what is given in these statements are the best information I have of what further checks would have revealed.

The statements as they have been submitted, demonstrate that Mrs O was spending a significant amount on internet gambling. Based on what I've seen, then, Mrs O was borrowing more money at a time when she was having difficulties and spending a lot on gambling transactions. So, I think there would have been a concern that she was having serious problems managing her finances.

For these reasons I think that if Likely Loans had carried out further checks I think it's likely it would have realised that further lending wasn't sustainable. I think it wouldn't have lent Mrs O the money. And so, I think Mrs O has lost out."

I asked both parties to let me have any comments, or additional evidence, in response to my provisional decision. Likely Loans and Mrs O did not respond.

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.

Likely Loans and Ms O have not responded. So, as neither party has anything further to add, I don't see any reason to depart from my findings within my provisional decision. With that being the case, I uphold Ms O's initial complaint about Likely Loans irresponsibly lending to her.

Putting things right

Mrs O says Likely Loans should write off the capital amount that she was lent. More recently she has said it should write off half the capital amount. Likely Loans has already offered to put things right by removing all interest, fees and charges but as I have concluded above it ought to have known about Mrs O's gambling problems, and so I have considered whether it should do more to put things right in this case. In doing so, when I consider Mrs O's request, I do think she has had use of the money and also when I consider how much is left outstanding to repay and that there is the likelihood that a payment plan can be agreed by

the parties, I think it is fair and reasonable in this case that she should pay back what she has had use of.

So, with that being the case, Likely Loans needs to put things right by:

- removing all interest, fees and charges applied to the loan from the outset. If Mrs O has made any payments Mrs O made, they should be deducted from the new starting balance – the £2,500.00 originally lent.
- I can see that there would be a balance to repay. Likely Loans should exercise forbearance when it looks to collect on the remaining balance, if Mrs O is experiencing financial difficulty. Both parties should engage with each other and look to find a fair payment plan for the repayment of the remaining balance.

My final decision

My final decision is that I uphold Mrs O's complaint and direct Oakbrook Finance Limited to put things right as I have described above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs O to accept or reject my decision before 13 August 2021.

Mark Richardson
Ombudsman