DRN-3091122

The complaint

Miss R says Oakbrook Finance Limited (trading as Likely Loans) lent to her irresponsible.

What happened

Miss R took out a 12-month instalment loan for £2,500 on 24 March 2021 from Likely Loans. The monthly repayment was £266.06 and the total repayable was £3192.36. I understand there is an outstanding balance.

Miss R says she couldn't afford the debt. She says the lender used the wrong value for her income in its assessment, she has had to borrow from family to make her repayments and it has affected her mental health. She says Likely Loans has not responded to her multiple times and has not addressed her circumstances accordingly.

Our adjudicator didn't recommend the complaint should be upheld. In summary, she said the lender's checks were proportionate and it made a fair lending decision based on what it saw. She said the lender would consider clearing some or all of Miss R's outstanding balance but needed more complete evidence of her circumstances - which was fair.

Miss R disagreed, and was very unhappy with this assessment, so the complaint was passed to me to make a final 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.

Our approach to unaffordable/irresponsible lending complaints is set out on our website and I've followed it here.

The rules and regulations when Likely Loans lent to Miss R required it to carry out a reasonable and proportionate assessment of whether she could afford to repay what she owed in a sustainable manner. This is sometimes referred to as an affordability assessment or an affordability check.

The checks also had to be borrower-focused. So Likely Loans had to think about whether repaying the credit sustainably would cause any difficulties or adverse consequences for Miss R. In other words, it wasn't enough for Likely Loans to simply think about the likelihood of it getting its money back, it had to consider the impact of the repayments on Miss R.

Checks also had to be proportionate to the specific circumstances of each loan application. In general, what makes up a proportionate affordability check will be dependent upon a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount, type and cost of credit they have applied for. In light of this, I think that a reasonable and proportionate check ought generally to have been *more* thorough:

- the lower a customer's income (reflecting that it could be more difficult to make any repayments to credit from a lower level of income);
- the higher the amount due to be repaid (reflecting that it could be more difficult to meet higher repayments from a particular level of income);
- the longer the period of time a borrower will be indebted for (reflecting the fact that the total cost of the credit is likely to be greater and the customer is required to make repayments for an extended period).

There may also be other factors which could influence how detailed a proportionate check should've been for a given application – including (but not limited to) any indications of borrower vulnerability and any foreseeable changes in future circumstances. I've kept all of this in mind when thinking about whether Likely Loans did what it needed to before agreeing to lend to Miss R. So to reach my conclusion I have considered the following questions:

- did Likely Loans complete reasonable and proportionate checks when assessing Miss R's loan application to satisfy itself that she would be able to repay the loan in a sustainable way?
- if not, what would reasonable and proportionate checks have shown?
- did Likely Loans make a fair lending decision?
- did Likely Loans act unfairly or unreasonably in some other way?

I can see Likely Loans asked for some information from Miss R before it approved the loan. It asked for details of her gross annual income which it says she stated was £21,499. It verified this using a third-party income verification tool to understand her minimum net income (£1521.61). It used national statistics to understand her likely living costs (£797.90) and added a £50 buffer to cover unplanned costs.

It carried out a credit check and from this it knew her total indebtedness was £1,724; she had existing monthly credit commitments of £183; and all active accounts were up-to-date. It asked about the purpose of the loan which was debt consolidation. From these checks combined Likely Loans concluded Miss R would have monthly disposable income of around £270, after adding the repayment for this loan, and so would be able to sustainably repay it. I note it did not take into account any reduction in her existing credit commitments from any debt consolidation.

I think these checks were proportionate given the nature of Miss R's loan application. And I think Likely Loans made a fair lending decision based on the information it gathered. I'll explain why.

The loan was over 12 months and at the start of a borrowing relationship. The results of the credit check showed Miss R had a low level of debt (£1724) and was managing her credit well. There was no adverse data. And the affordability assessment left Miss R with sufficient disposable income. I note Miss R says the lender used the wrong income figure but Likely Loans explained it was based on the data she entered online: it has provided the application report that shows the data she input and the IP address it came from. It says as her stated income was successfully verified by the third-party check there was no need to ask for supporting documentation such as a payslip.

As I have found the lender's checks to be reasonable and proportionate in the circumstances of this application, I don't think it should have done anything further to check the income data.

Overall, I can't see there was anything in the information gathered that ought to have led the lender to realise there was a risk the loan might be unaffordable for Miss R and therefore make a different decision. I note at times Miss R was able to overpay. It follows I don't think Likely Loans was wrong to give the loan to Miss R.

Did Likely Loans act unfairly or unreasonably in some other way?

Miss R is unhappy that the lender will not agree to write-off all or part her remaining balance without further medical evidence. She has provided some documentation – a doctor's certificate showing she was unable to work due to depression between 28 August 2021 and 6 September 2021. She says she has explained her personal circumstances to the lender, as she has to this service, and that should be sufficient. She says the lender has showed no compassion.

I am satisfied Likely Loans understands its obligations under the relevant regulations by considering waiving Miss R's outstanding balance and I note it agreed to a breathing space request whilst this investigation was ongoing. However, I think that it is fair for the lender to request more complete evidence before reaching a decision on how to treat the current balance. I think it tried to be helpful and sympathetic in its text exchanges with Miss R during June and July 2021. It told Miss R about the Debt and Mental Health Form and explained that the completion of this by a qualified professional should be free of charge - and that it may help with debts other than this loan. I think the tone of the messages that I have seen from Likely Loans was sympathetic and appropriate.

I do understand that this is a very sensitive and difficult issue for Miss R to deal with – she could give permission for a third party to act on her behalf in her dealings with Likely Loans and ask for more time to provide the evidence required. I would expect the lender to accept this request for more time under the provisions of CONC 7.10.2G in the Financial Conduct Authority (FCA) Handbook.

Overall, I don't find that Likely Loans has acted unfairly or unreasonably. If Miss R continues to be unwilling to provide the medical evidence it requires, I would remind it of its obligation to treat her positively and sympathetically as the parties try to agree an affordable repayment plan.

My final decision

I am not upholding Miss R's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss R to accept or reject my decision before 21 December 2021.

Rebecca Connelley
Ombudsman