

The complaint

Mr R complained that OAKBROOK FINANCE LIMITED trading as Likely Loans irresponsibly provided him with an unaffordable loan.

What happened

Likely Loans provided Mr R with a loan as follows:

Date taken	Amount received	Term	Monthly repayment	Amount payable	Date repaid
2/09/2016	£2,000	24 months	£122.14	£2,931.36	outstanding

When Mr R complained to Likely Loans it didn't uphold his complaint so he brought his complaint to us. One of our adjudicators looked at the complaint and she didn't think that Likely Loans had done anything wrong when it provided the loan. Our adjudicator explained why she was recommending that the complaint shouldn't be upheld.

Mr R disagreed with our adjudicator's view. Through his representative, he mainly said that Likely Loans ought to have increased its checks as the loan was for debt consolidation and it failed to take properly into account information it saw on Mr R's bank statement showing gambling spending. Mr R asked for an ombudsman to review his complaint so it comes to me to decide.

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.

We've set out our approach to considering unaffordable and irresponsible lending complaints on our website - including the key relevant rules, guidance, good industry practice and law. I've independently reviewed all the available information, including what Mr R said in response to our adjudicator's view. Having done so, I've come to the same overall view as our adjudicator and I am not upholding Mr R's complaint. I'll explain my reasons.

The rules don't say what a lender should look at before agreeing to lend. But reasonable and proportionate checks should be carried out. Lenders must work out if a borrower can sustainably afford the loan repayments alongside other reasonable expenses the borrower also has to pay. This should include more than just checking that the loan payments look affordable on a strict pounds and pence calculation – a proportionate check might also require the lender to find out the borrower's credit history and/or take further steps to verify the borrower's overall financial situation.

If reasonable and proportionate checks weren't carried out, I need to consider if a loan would've been approved if the checks had been done. If proportionate checks were done and a loan looks affordable, a lender still needs to think about whether there's any other reason why it would be irresponsible or unfair to lend. For example, if the lender should've realised that the loan was likely to lead to significant adverse consequences or more money problems for a borrower who is already struggling with debt that can't be repaid in a sustainable way.

Likely Loans gathered some information from Mr R about his income and expenses before it agreed the loan. It checked his pay by looking at information on a bank statement he provided and also checked Mr R's credit file to understand his existing monthly credit commitments and credit history.

The record of the credit checks Likely Loans carried out shows that Mr R wasn't involved in any sort of arrangement with creditors and bankruptcy wasn't flagged up. He had no active county court judgements registered. His total debt was shown as being around £1,200. All this tended to suggest that Mr R seemed to be managing his credit without any signs that he had a serious debt problem and I don't think the amount of debt shown on Mr R's credit checks was excessive having regard to his income. So I think our adjudicator was correct in saying that there isn't enough to fairly say that Likely Loans should've realised it needed to find out more before lending or that it should have refused the loan application altogether.

I think it's worth mentioning that when a lender carries out a credit search, the information it sees doesn't usually provide the same level of detail that a consumer's credit search will and it isn't necessarily up to date. A lender might only see a small portion of a borrower's credit file, or some data might be missing or anonymised. I'm also aware that not all payday and short term lenders report to the same credit reference agencies. So, this may explain any differences if Mr R feels that the credit checks Likely Loans obtained didn't give a full picture.

I've thought carefully about what Mr R has said about the evidence of his spending on gambling that Likely Loans was able to see on the bank statements he provided. I think it's fair to say that it would be irresponsible to lend to a borrower if it was clear the loan would be used to fund an out of control gambling habit. But I don't think the evidence Likely Loans saw was enough to make it think Mr R was spending significantly on gambling compared to the amount of his weekly take home pay. To my mind, there wasn't anything that suggested this spending was causing him money problems. I say this because neither the number of transactions nor the amounts seen were particularly excessive and Mr R's bank account didn't seem to be under particular stress. He wasn't going overdrawn for instance. So I don't think this was a reason not to lend.

I also haven't seen enough to be able to say that the amount of debt he had, or how he was managing it, should have led Likely Loans to decline his loan application. This is because Mr R had requested this loan to consolidate his existing debt and it appeared that the loan would have covered what he owed. I think in these circumstances Likely Loans was reasonably entitled to take a view that this suggested Mr R was borrowing specifically to help him manage his finances more responsibly – and it looked like he ought to be able to afford to do that on the figures it worked out.

I can't fairly say in this situation that Likely Loans is responsible for adding to Mr R's debt problems if he didn't use the loan for its stated purpose. I think the scale of his debt at the time compared to the value of the loan means that he could have used the loan to help him improve his financial situation.

To sum up, I don't think it was unreasonable for Likely Loans to lend here – especially as there wasn't anything obvious, in the information it had, to suggest Mr R wouldn't be able to

repay the loan in a sustainable way. The loan appeared to be affordable looking at Mr R's income and expenditure.

And I don't think proportionate checks would've required Likely Loans to probe any more deeply into Mr R's finances or ask Mr R to prove what he was declaring or check other information sources to verify what he had told the lender (or omitted to say) about his financial circumstances.

So I can't fairly say that Likely Loans did anything wrong in deciding to lend this loan to Mr R.

For these reasons, I'm not upholding this complaint. I appreciate this is a disappointing outcome for Mr R but hope setting out the reasons as I've done will help explain how I've reached my conclusions.

My final decision

For these reasons, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 21 March 2022.

Susan Webb
Ombudsman