

The complaint

Mr M complains that Oakbrook Finance Limited (trading as Likely Loans) acted irresponsibly by granting him a loan that was unaffordable.

What happened

In February 2019, Mr M took out a loan for £2,000 with Likely Loans. The loan was to be repaid over 36 months with the repayments set at £105.64 a month. The APR was 59.9% and total amount to be repaid was £3,803.04.

Mr M later complained that Likely loans had lent to him irresponsibly. He said if Likely Loans had carried out proper checks, it would have seen that he had a gambling addiction. Likely Loans should have been aware he wouldn't be able to pay the loan back without severe struggle. He said he'd had to take out another loan to clear the one with Likely Loans.

Likely Loans said it had conducted a credit assessment which included reviewing Mr M's credit report. It had also obtained information from the Office of National Statistics (ONS) to assist with its lending decision. It said it had no obligation to request a bank statement or payslip when considering Mr M's ability to repay. Likely Loans said it felt the checks it had carried out were proportionate and the loan repayments were considered affordable from the information it had.

Mr M remained unhappy, so he asked our service to consider his complaint. Our investigator looked into his concerns but didn't think his complaint should be upheld. She thought Likely Loans should have asked Mr M for information about his housing costs but didn't think it would have concluded the lending was unaffordable if it had done so.

Mr M disagreed with our investigator's view. He didn't think Likely Loans checks were sufficient as it hadn't checked his bank statements. He provided copies of his bank statements for the two months prior to his loan application which showed a significant amount of gambling transactions. Mr M said these showed he was in a cycle of a debilitating gambling condition and his finances were out of control. So, his complaint has been passed 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.

Having done so, I've decided not to uphold Mr M's complaint. I'll explain why. The relevant rules, regulations and guidance required Likely Loans to carry out reasonable and proportionate checks to ensure Mr M could afford to repay the loan in a sustainable manner.

The checks needed to be borrower-focused. It wasn't enough for Likely Loans to think only about the likelihood of getting its money back. It also had to ensure that making the repayments wouldn't cause Mr M undue difficulty or have adverse consequences for him.

There isn't a set list of checks that lenders need to carry out, but they should be proportionate, taking a number of factors into consideration. These factors include the amount, type and cost of the credit as well as the personal circumstances of the consumer.

Likely Loans gathered some information from Mr M before approving the loan. It asked him about his employment status and income and the purpose of the loan. It says it also reviewed Mr M's credit report and has provided a summary of the data it extracted at the time.

On his application, Mr M said he was employed with an annual income of £23,160 and the loan purpose was "*home improvement*". Likely Loans verified Mr M's net monthly income to be £1,594. The information it extracted from Mr M's credit file showed he had total revolving credit debt of £1,038 (from credit / store cards) and no other debt.

Likely Loans says it used statistical data to estimate Mr M's other outgoings. It's provided an estimate for "*living expenditure*" of £546 as well as an estimate for "*general expenditure*" of £797. It used each of these in calculations for "*total expenditure*". The highest total expenditure figure was £995 a month (this took into account Mr M's existing credit commitments, the general expenditure estimate, repayments for the new loan and a £50 buffer). This would have left Mr M with around £600 a month disposable income.

Likely Loans says Mr M said he was a tenant when he applied for the loan. I think Likely Loans should have asked Mr M for further information about his housing costs before approving the loan.

Mr M says he selected the option of "*tenant*" because he was living with his partner who had a sole mortgage in her name. Mr M says he paid around £600 to £700 a month to her to cover his share of the mortgage, rates, bills, food and amenities.

If Likely Loans had asked Mr M for further information about his housing costs, I don't think it would have made a difference to its lending decision. The amount Mr M has told us he was giving his partner is similar to Likely Loans' estimate for "*general expenditure*". I appreciate Mr M will also have had other essential outgoings (travel, clothing etc) but he appeared to have sufficient disposable income to cover these.

According to Mr M's credit file, his existing credit commitments were low. I also haven't seen anything that I think should have prompted Likely Loans to carry out further checks (for example recent defaults or county court judgments).

I can see from the bank statements Mr M has sent us that he'd taken out a loan with another lender, that didn't appear on his credit file. I can also see multiple gambling transactions. But Likely Loans could only make its decision based on information it had available at the time. And I don't think proportionate checks would have extended to Likely Loans asking Mr M to provide it with his bank statements.

I know my answer will be disappointing for Mr M, who has struggled with managing his finances and his mental health. But I don't think it would be fair to say Likely Loans should reasonably have been aware Mr M's difficulties when it granted him the loan. So, I don't think Likely Loans' decision to lend to him was irresponsible.

My final decision

For the reasons I've explained, I don't uphold Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 11 March 2022.

Anne Muscroft
Ombudsman