

The complaint

Mr M complains that Oakbrook Finance Limited (trading as Likely Loans) was irresponsible to lend to him.

What happened

Mr M took out five loans with Likely Loans between February 2016 and March 2019 as follows:

<u>Loan</u>	<u>Date</u>	<u>Amount</u>	<u>Term</u>	<u>Repayment</u>	<u>Due</u>	<u>Repaid</u>
1	18 Feb 2016	£2,000	24m	£145.16	18 Feb 2018	3 Aug 2017 £500 top-up
2	3 Aug 2017	£1,366.92	12m	£154.36	31 Aug 2018	2 Mar 2018 £500 top-up
3	2 Mar 2018	£1,320.91	12m	£149.16	28 Feb 2019	5 Sep 2018 £2,000 top-up
4	5 Sep 2018	£2,911.28	24m	£211.30	30 Sep 2020	15 Mar 2019 £2,000 top-up
5	15 Mar 2019	£4,707.16	30m	£306.74	30 Sep 2021	Payment holiday Apr-Jun 2020

Mr M says that he was already heavily reliant on lending before he applied for his first loan with Likely Loans. He says he was using high-cost lending to fund essential expenditure and feels he was stuck in a cycle of borrowing. Mr M says if Likely Loans had done better checks it would have realised he couldn't afford further borrowing. He adds that he has had to enter into a debt management plan as a result.

Likely Loans says it conducted its standard credit check alongside asking Mr M about his income and expenditure. It says it found no evidence to suggest Mr M was struggling to pay his existing credit commitments or essential bills and that its analysis showed the repayments to be affordable.

Our investigator recommended the complaint should be upheld in part. He found that Mr M was reliant on short-term credit at the time of loan 1 and so Likely Loans was irresponsible to have approved further credit. However, he was satisfied its checks showed further lending was sustainable for the following four loans. Our investigator said Likely Loans should refund interest and charges on loan 1 (plus 8%) and remove any negative information about that loan from his credit file.

Mr M responded to say, in summary, that he was in financial difficulties throughout the lending period, not just loan 1, and had been in a debt management plan since 2013. He said if Likely Loans had carried out sufficient checks it would have seen this.

My provisional findings

I issued a provisional decision to Mr M and to Likely Loans on 22 February 2022. I've summarised my findings:

- For loan 1, I did not consider Likely Loans carried out proportionate checks which were likely to have shown Mr M had three open short-term loan accounts, a history of using short-term lenders and an account with a debt management company;
- So I found Mr M was already struggling to manage his money and that Likely Loans did not make a fair lending decision for loan 1;
- Proportionate checks for loan 2 would have shown Mr M was already committed to spending around 50% of his income on credit repayments and continued to rely on short-term lending. I considered that this should have indicated to Likely Loans that further lending was unsustainable;
- For loans 3, 4 and 5, I considered that proportionate checks were likely to have shown Mr M's expenditure on credit was a significant proportion of his income and he had at least three outstanding short-term loans at the time of each loan. So I found that Mr M was showing clear signs that he was struggling to manage his money and that further lending was not sustainable for him.

My provisional decision was that I didn't find Likely Loans made a fair lending decision for any of loans 1 to 5, although I couldn't see it acted unfairly or unreasonably in any other way.

Both Mr M and Likely Loans responded to say that they accepted my provisional 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 outlined the relevant rules and guidelines in my provisional decision, so I won't repeat them here.

As neither party provided any additional information and both accepted my provisional decision, I see no reason to depart from it.

My final decision

My decision is that I uphold this complaint. Oakbrook Finance Limited (trading as Likely Loans) should:

- Add up the total amount of money Mr M received as a result of having been given the loans. The repayments Mr M made should be deducted from this amount.

- If this results in Mr M having paid more than he received, then any overpayments should be refunded along with 8% simple interest (calculated from the date the overpayments were made until the date of settlement). *
- If any capital balance remains outstanding, then Likely Loans should attempt to arrange an affordable and suitable payment plan with Mr M;
- Remove any negative information recorded on Mr M's credit file regarding the loans up to the settlement date.

*HM Revenue & Customs requires Likely Loans to take off tax from this interest. Likely Loans must give Mr M a certificate showing how much tax it's taken off if he asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 20 April 2022.

Amanda Williams
Ombudsman