

Complaint

Mr M has complained about a loan Oakbrook Finance Limited (trading as “Likely Loans”) provided to him. He says the loan was unaffordable and so shouldn’t have been provided.

Background

Likely Loans provided Mr M with a loan for £10,000.00 in December 2021. This loan was due to be repaid in 48 monthly instalments of £317.46. One of our adjudicators reviewed what Mr M and Likely Loans had told us. And he thought that Likely Loans hadn’t done anything wrong or treated Mr M unfairly. So he didn’t recommend that Mr M’s complaint be upheld. Mr M disagreed and asked for an ombudsman to look at his complaint.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Mr M’s complaint.

Likely Loans needed to make sure that it didn’t lend irresponsibly. In practice, what this means is Likely Loans needed to carry out proportionate checks to be able to understand whether Mr M could afford to repay before providing this loan. Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

Likely Loans says it agreed to Mr M’s application after he provided details of his monthly income and some information on his expenditure. It says it cross-checked this against information on a credit search it carried out and all of this information showed Mr M could afford to make the repayments he was committing to. On the other hand, Mr M has said he was in financial difficulty.

I’ve carefully thought about what Mr M and Likely Loans have said.

The first thing for me to say is that Likely Loans has suggested it carried out credit searches which showed that Mr M didn’t have that much in the way of existing credit commitments and what he did have was relatively well maintained. And while Mr M is disputing the income figure arrived at, given the amount of his verified expenditure at the time, I’m not persuaded a corrected income amount would have led to a different outcome here.

I accept that Mr M appears to be suggesting that his actual circumstances may not have been fully reflected either in the information he provided, or the information Likely Loans obtained. For example, Mr M says he owed more to other lenders at the time. But even if I accept that Likely Loans' checks ought to have gone further – we've not been provided with anything which clearly shows the loan payments were demonstrably unaffordable.

It's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong. Given the circumstances here, and the lack of obvious indicators of difficulty in the information obtained, I don't think that reasonable and proportionate checks would have extended into the level of checks Mr M is suggesting – and even then we haven't been provided with anything which demonstrates the loan was obviously unaffordable at the time either.

As this is the case, I don't think that Likely Loans did anything wrong when deciding to lend to Mr M - it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable.

So overall I don't think that Likely Loans treated Mr M unfairly or unreasonably when providing him with his loan. And I'm not upholding Mr M's complaint. I appreciate this will be very disappointing for Mr M. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding 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 10 March 2023.

Jeshen Narayanan
Ombudsman