

## The complaint

Miss A complains that Oakbrook Finance Limited lent her three loans when she couldn't afford to repay. She says at the time she suffered from severe mental health and severe gambling problems. Miss A says had Oakbrook carried out sufficient checks it wouldn't have lent to her.

## What happened

Oakbrook lent Miss A three high cost credit loans. From the information provided, the loan information is as follows:

Loan number	Start date	Loan amount (£)	Term	Repayment amount (£)	End date
1	02/12/2020	2,500	24 months	163.59	28/06/2021
2	28/06/2021	1,000	24 months	205.67	06/01/2022
3*	06/01/2022	1,800	30 months	255.93	19/10/2022

\*the balance on this loan was written off.

When Miss A complained to Oakbrook about the lending decisions, but it didn't uphold her complaint, it said it carried out sufficient checks and those checks showed Miss A could afford the loan repayments.

Unhappy with that response, Miss A referred her complaint to this service where it was looked at by one of our adjudicators. Our adjudicator thought Oakbrook did enough checks before lending loans 1 and 2 but thought Oakbrook should have done more before agreeing to lend loan 3. He said in the absence of further information on what further checks would likely have shown, he couldn't say Oakbrook was wrong to lend loan 3. Overall, the adjudicator didn't recommend that any aspect of Miss A's complaint should be upheld.

Miss A disagreed, in summary she said:

- She had been refused credit everywhere else so was surprised Oakbrook lent to her.
- She didn't have an income at the time.
- Further checks would have showed she had a severe gambling problem.
- She had mental health problems.

## 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.

Oakbrook is aware of its obligations under the rules and regulations in place at the time of this lending decision, including the Consumer Credit Sourcebook ("CONC"), so I won't repeat them here. But, briefly, it was required to carry out sufficient checks to ensure that Miss A would be able to repay the borrowing applied for in a sustainable way. As set out in CONC 5.3.1G(2) that means that he could manage the repayments,

*“...without...incurring financial difficulties or experiencing significant adverse consequences”.*

Oakbrook has provided evidence to show that before lending any of the loans, it asked Miss A about her income and verified her income using the current account turnover. It also carried out a credit search to check Miss A's credit commitments and used data from the Office of National Statistics to work out Miss A's living costs.

Its checks showed Miss A's income varied between £2,371 and £2,649.59 and her living costs including credit commitments varied between £1,191.68 and £1,636.24. Based on those checks Miss A had sufficient income to repay the loans. Miss A says she didn't have an income, I've seen evidence to show she was in receipt of a number of benefits and I think it was reasonable for Oakbrook to take those into account when it considered her applications.

I've thought about whether the checks carried out were sufficient looking at Miss A's income and the repayment amounts for loans 1 and 2, I think Oakbrook's checks went far enough. I think it is also important to state that the credit checks for these loans showed Miss A had a very low amount of credit commitments. There were no signs of financial difficulties that I think should have prompted Oakbrook to take its checks further. Also, the loan repayments were a small portion of Miss A's verified income at the time. Also, at the time, Oakbrook wasn't aware, and I haven't seen evidence that it should reasonably have been aware of Miss A's mental health and gambling problems.

However, loan 3 was the second top-up and Miss A's third loan within a year. Given the term, the repayment amount, and the borrowing history she had now established with Oakbrook, I think it would have been proportionate for it to take its checks further. I'd have expected Oakbrook to not only relying on what Miss A told it and the generic verification tools it used, I think it should have requested information to independently verify Miss A's specific financial circumstances.

Miss A has provided bank statements from around the time of loan 3 and I can see that she was spending significant sums on gambling regularly, for example in the month before loan 3, Miss A spent more than £3,000 on gambling transactions. This was a pattern that continued, and I think had Oakbrook carried out sufficient checks before lending this loan, it would have found Miss A wasn't in a position to sustainably repay the loan and it shouldn't have lent.

Where we find that a business has lent when it shouldn't have then we'd usually ask for it to refund interest, fees, and charges. In this case, once Oakbrook became aware of Miss A's difficulties it wrote off the outstanding balance on loan 3 and closed the loan account. I've also considered the effect of the loan write off – Miss A received a total of £5,300 across the three loans and she repaid a total of £3,495.19, less than the amount she received.

The write off on loan 3 means Miss A hasn't fully repaid the capital she borrowed across and so is in a better position than she'd have been had this service directed Oakbrook to refund interest, fees and charges she paid. So, I won't be asking Oakbrook to make any further payments to Miss A as I think it has already acted fairly.

### **My final decision**

For the reasons given above, I don't uphold this complaint or make any award against Oakbrook Finance Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask o A to accept or reject my decision before 22 May 2023.

Oyetola Oduola  
**Ombudsman**