

Complaint

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

Background

Likely Loans provided Mr M with an initial loan for £5,000.00 in December 2020. This loan was due to be repaid in 36 monthly instalments of just under £265. This loan was settled in full with some of the proceeds from loan 2.

Mr M applied for loan 2 in December 2021. This loan was for £4,733.00 (£4,032.68 of which went towards settling the outstanding balance on loan 1) and was due to be repaid in 24 monthly instalments of just over £310. This loan was settled in full with some of the proceeds from loan 3.

Mr M applied for loan 3 in July 2022. This loan was for £4,733.00 (£3,275.45 of which went towards settling the outstanding balance on loan 2) and was due to be repaid in 30 monthly instalments of just over £250.

One of our adjudicators reviewed what Mr M and Likely Loans had told us. She thought that Likely Loans hadn’t done anything wrong or treated Mr M unfairly when providing loans 1 and 2 but thought that it should have realised that it shouldn’t have provided loan 3. So she partially upheld Mr M’s complaint. Likely Loans accepted our adjudicators view but Mr M disagreed and asked for an ombudsman to look at his complaint.

As the parties are in agreement with the outcome on loan 3, this decision is only looking at whether Likely Loans acted fairly and reasonably when providing loans 1 and 2.

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.

Having carefully considered everything provided, I’m satisfied that what Likely Loans has already agreed to do to put things right for Mr M, is fair and reasonable in all the circumstances of this complaint. I’ll explain why in a little more detail.

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 applications for loans 1 and 2 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 the loans were unaffordable.

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 provided a record of the results of its credit searches. Likely Loans searches appear to show that Mr M had some existing credit commitments at the time he applied for these loans. Crucially, according to the credit searches, Mr M's outstanding debt total at the time of the applications was reasonable in comparison to his income.

I've kept in mind that Mr M's external debt total between loan 1 and loan 2 did increase. But Mr M's debts appeared to be reasonably managed and there was no significant indications of difficulty such as defaults, county court judgements or payday lending. And there isn't anything else obvious in either of these applications which lead me to think that further checks would have been reasonable and proportionate.

I accept that Mr M's actual circumstances may not have been fully reflected either in the information he provided, or the information Likely Loans obtained. Equally I accept that if Likely Loans had gone into the depth of checks Mr M appears to be saying it should have – such as obtaining bank statements in the same way a mortgage provider would – it may have reached a different answer.

But the key here is that Likely Loans was providing loans for relatively small sums. And 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 inconsistencies, I don't think that reasonable and proportionate checks would have extended into the level of checks Mr M is suggesting.

As this is the case, I don't think that Likely Loans did anything wrong when deciding to provide loans 1 and 2 - it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable. And as Likely Loans has already agreed to put things right for loan 3, it follows that I'm satisfied that it doesn't need to do anything further.

So overall I don't think that Likely Loans has treated Mr M unfairly or unreasonably. 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. And I leave it up to him to decide whether he now wishes to accept Likely Loans' offer in relation to loan 3.

My final decision

For the reasons I've explained, I'm satisfied that what Oakbrook Finance Limited has already agreed to do to put things right for Mr M is fair and reasonable in all the circumstances of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 30 May 2023.

Jeshen Narayanan
Ombudsman