

The complaint

Mrs P, through a representative, says Oakbrook Finance Limited (trading as Likely Loans) lent to her irresponsibly.

What happened

Mrs P took out a 24-month instalment loan for £2,000 from Likely Loans on 12 September 2019. The monthly repayment was £131.05 and the total repayable was £3,145.20.

She says she took out the loan to help pay bills as she was struggling financially, and already gambling to try to generate some extra money to survive.

Our adjudicator said Likely Loans carried out proportionate checks and there was nothing in the information it gathered that should have led it to make a different lending decision.

Mrs P disagreed saying there were signs she was under financial pressure so Likely Loans ought to have done fuller checks. These would have shown she could not afford this loan.

I reached a different conclusion to the adjudicator so I issued a provisional decision. An extract follows and forms part of this final decision. I asked both parties to send any new information or comments by 18 August 2023.

Extract from my provisional decision

I can see Likely Loans asked for some information from Mrs P before it approved the loan. It asked for details of her annual income and her residential status. It verified her declared income with a pay slip. It estimated her living costs. It asked about the purpose of the loan which was home improvements. It also checked Mrs P's credit file to understand her credit commitments and credit history. From these checks combined Likely Loans concluded Mrs P had enough monthly disposable income to afford to repay the loan.

I don't think these checks were proportionate. Based on the information it initially gathered I think Likely Loans should have gone on to carry out a fuller financial review before agreeing to lend. I say this because it knew from the credit check that since September 2018 Mrs P had defaulted on four credit accounts, the most recent in March 2019. They all still had outstanding balances. She was also overlimit on her credit card. So given these indicators of financial pressure, I don't think it was enough to conclude that Mrs P's financial position looked more stable in the last six months and so proceed. I am not saying the defaults were a reason to decline Mrs P's application, but they were a reason to take steps to better understand her financial position.

In cases such as these we look at bank statements from the three months prior to the loan application. I am not saying this is what Likely Loans had to do but it is a way for me to understand what better checks would most likely have shown it.

From them I can see Mrs P's financial position was such that there was a high risk she would be unable to repay this loan sustainably – so without borrowing to repay, or suffering

some other financial detriment. I say this as Mrs P was spending on average around a quarter of her income on gambling - almost half in the month before this loan application. Had Likely Loans been aware of this I think it would, as a responsible lender, have been concerned its loan would most likely cause Mrs P financial harm – and that on a pounds and pence basis she clearly did not have access to the disposable income it had calculated.

It follows I think Likely Loans was wrong to lend to Mrs P. I haven't seen any evidence that Likely Loans acted unfairly towards Mrs P in some other way.

I then set out what Likely Loans would need to do to put things right if I went on to uphold Mrs P's complaint.

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.

Our approach to unaffordable/irresponsible lending complaints is set out on our website and I've followed it here.

As neither party sent in any new evidence for me to consider I have no reason to change the findings or outcome set out in my provisional decision.

It follows, for the reasons detailed above, I find Likely Loans was wrong to lend to Mrs P.

Putting things right

It's reasonable for Mrs P to repay the capital amount that she borrowed but she has paid interest and charges on a loan that shouldn't have been given to her. So she has lost out and Likely Loans needs to put things right.

It should:

- Remove all interest, fees and charges on the loan and treat all the payments Mrs P made as payments towards the capital.
- If reworking Mrs P's loan account results in her having effectively made payments above the original capital borrowed, then Likely Loans should refund these overpayments with 8% simple interest calculated on the overpayments, from the date the overpayments would have arisen, to the date of settlement*.
- If reworking Mrs P's loan account results in an outstanding capital balance, Likely Loans should try to agree an affordable repayment plan with Mrs P.
- Remove any adverse information recorded on Mrs P's credit file in relation to the loan once any outstanding capital balance has been repaid.

*HM Revenue & Customs requires Likely Loans to deduct tax from this interest. Likely Loans should give Mrs P a certificate showing how much tax it's deducted, if she asks for one.

My final decision

I am upholding Mrs P's complaint. Oakbrook Finance Limited (trading as Likely Loans) must put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P to accept or reject my decision before 26 September 2023.

Rebecca Connelley
Ombudsman