

## **The complaint**

Mr C complains that Oakbrook Finance Limited trading as Likely Loans irresponsibly lent to him.

## **What happened**

I issued a provisional decision on this complaint on 3 August 2023 where I set out a background to this complaint and my provisional findings. That decision forms part of my final decision. Important parts of my decision are below.

### **My provisional decision**

*“When Mr C complained to Likely Loans, it acknowledged it shouldn’t have lent him loan 1 and offered to refund payments above the capital amount and add statutory 8% interest. It also offered to remove adverse information about that loan from Mr C’s credit file.*

*Likely Loans didn’t uphold his complaint about loans 2 and 3, and so Mr C referred his complaint to this service where it was looked at by one of our adjudicators. Our adjudicator didn’t think Likely Loans was wrong to lend loans 2 and 3 and so didn’t recommend that Mr C’s complaint about those loans should be upheld.*

*Mr C’s representatives disagreed with the adjudicator and asked for an ombudsman’s decision.*

### **What I’ve provisionally 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’ve also taken into account the law, any relevant regulatory rules and good industry practice at the time the loans were offered.*

*Before lending money to a consumer, a lender should take proportionate steps to understand whether the consumer could repay without borrowing further or suffering significant adverse consequences.*

*A lender should gather enough information for it to be able to make an informed decision on the lending. Although the guidance and rules themselves didn’t set out compulsory checks, they did list a number of things a lender could take into account before agreeing to lend. The key thing was that any checks needed to be proportionate and had to take into account a number of different things, including things such as how much was being lent and when what was being borrowed was due to be repaid. A business should also take into account and react appropriately to what it knew about the consumer at the time it made its lending decision.*

*As Likely Loans has already upheld Mr C’s complaint about loan 1, I won’t be considering the lending decision. I’ve focussed my decision on the lending of loans 2 and 3.*

### *Loan 2*

*Loan 2 was taken within three months of Mr C repaying loan1, due to the short space of time between both loans, I think loans 1 and 2 form part of the same lending chain. It would be reasonable to conclude that Mr C's financial circumstances at the time of both loans weren't significantly different.*

*Likely Loans hasn't given the specific reason as to why it upheld Mr C's complaint about loan 1 but it has upheld the complaint about that loan. I think that whatever its reasons were, those were likely still present at the time of loan 2.*

*In any event, I've looked at Mr C's circumstances at the time of loan 2 and I think the results of Likely Loans checks raised concerns about Mr C's ability to maintain the repayments on this loan. Just because Mr C repaid the loan within its term doesn't mean he did so without suffering adverse financial consequences.*

*Likely Loans checks showed Mr C's monthly income at the time of this loan was around £1,977, his living costs including housing was around £765.25 and his monthly credit commitments was around £917. Mr C was due to repay around 53% of his income towards unsecured credit, including the repayment of this loan. At the least Likely Loans should have taken its checks further to verify some of the information Mr C provided. I think it should have gone beyond the electronic verification and looked to build a clearer picture of Mr C's financial circumstances.*

*Mr C has provided copies of his bank statements from around that time and from what I can see, Mr C was repaying several lenders and his account remained overdrawn for significant periods around the time of the loan. Bearing in mind Likely Loans' checks showed Mr C would be left with a disposable income of £154 after repaying this loan, I think had it carried out proportionate checks based on what it knew about Mr C, it'd likely have found he couldn't repay the loan over the term without suffering detriment to his finances and in the circumstances it shouldn't have lent loan 2. This because further checks will show Mr C was regularly in need of credit*

### *Loan 3*

*There was a gap of around 9 months between Mr C repaying loan 2 and borrowing loan, I think it would be reasonable to consider this a separate lending chain to the previous two loans.*

*At the time, Mr C's repayment history wasn't concerning to Likely Loans as he'd repaid most of his loan repayments on time. Likely Loans considered his monthly income, expenses and credit commitments.*

*The results of those checks showed Mr C's overall credit commitments had reduced compared to the time of loan 2. The checks showed he had a monthly income of around £1,937.18, living costs of around £841.76 and his credit commitments were around £244. So, after the repayment for this loan, Mr C was left with more than £500 of disposable income. I think given that the credit search showed Mr C's finances had improved and he'd be left with sufficient disposable income to afford and sustain the loan repayments throughout the term.*

*I think Likely Loans' checks went far enough and it was reasonable to lend Mr C this loan in the circumstances. In conclusion, Likely Loans has upheld Mr C's complaint about loan 1 and I think it shouldn't have lent loan 2. I don't think it was unreasonable to have lent loan 3 in the circumstances. So, Likely Loans needs to put things right for loans 1 and 2."*

The deadline for response to my provisional decision has now passed, Likely Loans didn't respond but Mr C's representatives responded to say loan 3 was also unaffordable taking into account Mr C's bank statements and credit file information.

### **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.

Likely Loans has provided evidence to show it did search Mr C's credit file before lending loan 3, the result of that search suggests Mr C wasn't over indebted (I've detailed what those checks showed in my provisional decision). I think Likely Loan's search of Mr C's credit file along with the other checks likely Loans carried out was sufficient in the circumstances on this loan.

Likely Loans didn't need to request Mr C's bank statements before lending loan 3 as such it won't have seen the information in Mr C's bank statement at the time that may have shown the loan was unaffordable.

From the reasonable checks it carried out, the loan was affordable for Mr C over the term and so I don't think it was wrong for it to lend loan 3.

However, it needs to put things right for loans 1 and 2. It acknowledges it shouldn't have lent loan 1 and further checks it ought to have carried out at the time of loan 2 would have shown that loan was unaffordable.

### **Putting things right**

To put things right, Likely Loans should do the following.

- Refund all interest and charges applied to loans 1 and 2.
- Add interest at 8% per year simple on the payments from the date they were paid, if they were, to the date of settlement†.
- Remove any adverse information recorded on Mr C's credit file as a result of the interest and charges on both loans.

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

### **My final decision**

For the reasons given above, I uphold this complaint in part and direct Oakbrook Finance Limited trading as Likely Loans to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 27 September 2023.

Oyetola Oduola  
**Ombudsman**