

The complaint

Mr B complains that Oodle Financial Services Limited (Oodle) failed to complete adequate affordability checks prior to approving a Hire Purchase agreement for him. He says had they done, the finance would not have been offered.

What happened

- In June 2021, Mr B acquired a used vehicle, financed through an agreement with Oodle.
- The cash price of the vehicle was £10,495. Mr B paid a cash deposit of £100 with the balance of £10,395 provided as finance through the agreement with Oodle.
- The agreement required Mr B to pay £305.54 as a first payment, followed by 58 payments of £255.54, before a final payment of £305.54 was due on month 60.
- Mr B fell behind soon after his agreement started. Then, in December 2022, he was unfortunately involved in an accident, as a result of which the vehicle was written off. The proceeds of the insurance settlement were paid to Oodle, reducing the outstanding finance.
- In November 2022, Mr B complained to Oodle that the finance was unaffordable, and they shouldn't have provided it to him. Oodle didn't agree they'd done anything wrong so Mr B referred his complaint to the Financial Ombudsman Service.
- One of our Investigators looked into things and said he didn't think Oodle had completed reasonable and proportionate checks prior to agreeing the finance and, had they done, he thought it would've likely shown the lending wasn't affordable or sustainable for Mr B so Oodle shouldn't have lent to him.
- Our Investigator said to put things right Mr B should only pay a fair amount for the use he had of the vehicle prior to the accident so he said Oodle could only charge him a total amount of £3,420.
- Mr B initially provided a screenshot which showed he'd paid in excess of £7,000, much more than Oodle said he'd paid towards the agreement. Our Investigator explained this higher amount included the proceeds of the insurance settlement which Oodle could retain in place of the car being returned to them.
- Mr B said he thought the redress allowed Oodle to receive more back than they should get and also said they were at fault for not advising him to take out GAP insurance when he bought the vehicle.
- Oodle also disagreed with our Investigator's suggestion to put things right saying they should be able to receive the full cash price of the vehicle, and that the proposed redress would see them recover less.

- Our Investigator let both Mr B and Oodle know that he'd overlooked the cash deposit Mr B paid when reaching his opinion and that any settlement would require Oodle to refund this to him and pay 8% interest.
- Our Investigator also let Mr B know he'd not any seen evidence of the GAP insurance issue being raised directly with Oodle previously, however as the finance provider, Oodle don't sell or provide advice on this product so he wouldn't be commenting on it further.

Because both parties remained unhappy, this complaint has been passed to me to decide.

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 Investigator's opinion that the Oodle shouldn't have approved the lending hasn't been disputed so I won't comment further on the matter. Nor am I going to comment further on Mr B's GAP insurance concerns for the reasons already explained to him by our Investigator.
- Instead, what does remain in dispute is what Oodle should do to put things right. It's this I'll focus on in my decision.

Putting things right

- First, I consider it beneficial to set out what I've decided Oodle should do to put things right. Then I'll explain my reasoning.
- Mr B did have use of the vehicle prior to the accident, so I think it's fair he pays for that use. While there isn't an exact formula for working out what a fair monthly repayment would be to reflect Mr B's usage, I'm not persuaded the monthly repayments to the agreement are a fair reflection.
- Having considered the interest charged, Mr B's likely overall use and what his costs would likely have been had he not had the vehicle, I'm satisfied the figure of £190 per month is a fair amount. This means Oodle can only ask him to repay a total of £3,420.
- So with this figure in mind, to put things right Oodle should:
 - Refund the £100 deposit Mr B paid, adding 8% simple interest per year* from the date of payment to the date of settlement.
 - Calculate how much Mr B has directly paid in total and deduct £3,420 for fair usage. Oodle should calculate any arrears after the settlement has been calculated and arrange an affordable repayment plan with Mr B, treating him with forbearance and due consideration.
 - Remove any adverse information recorded on Mr B's credit file regarding the agreement once he's paid the arrears.
- I understand Oodle say they should be allowed to retain the full cash price of the vehicle, £10,495, but I don't agree.

- Mr B is no longer in possession of the vehicle. Had he been, I'd be saying Mr B should return it to Oodle and I'd be telling them to deduct the fair usage amount from the total Mr B had paid.
- I think Oodle would then more likely than not, go on to sell the vehicle at auction with no guarantee of it achieving a higher price than in this case the insurance settlement actually paid out. There would also be a risk Oodle would recoup less as it's possible the vehicle would have achieved less if they had to sell it this way.
- But in any case, I wouldn't be saying Mr B should pay the original cash price of the vehicle. He hasn't benefited personally from the sale of it and the agreement isn't yet settled.
- In the circumstances of this case, I think it's reasonable Mr B pays only the figure I've set out to represent his fair use of the vehicle. Oodle received the insurance settlement directly to them, this essentially represents the return of the vehicle.

For these reasons, I uphold this complaint and I'm satisfied the redress set out reaches a fair and reasonable resolution to this complaint.

*HM Revenue & Customs requires Oodle to take off tax from this interest. Oodle must give Mr B a certificate showing how much tax it's taken off if Mr B asks for one.

My final decision

My final decision is that this complaint should be upheld.

In order to resolve Mr B's complaint, Oodle Financial Services Limited should action the redress I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 23 April 2024.

Sean Pyke-Milne
Ombudsman