

The complaint

Miss W complains that Oodle Financial Services Limited trading as Oodle Car Finance (“Oodle”) unfairly entered into a hire purchase agreement (“agreement”) with her. She says that due to her personal and financial circumstances at the relevant time the agreement was unaffordable.

What happened

In July 2019 Miss W entered into an agreement with Oodle for a used car costing £4,945. Under the terms of the agreement, everything else being equal, Miss W undertook to make 1 monthly payment of £218.95 followed by 59 monthly payments of £168.95 and 1 monthly payment of £218.95 making a total repayable of £10,237 at an APR of 39.2%.

Miss W complained that the agreement was unaffordable and so should never have been provided to her. Oodle didn’t uphold the complaint. It said that it undertook *“a reasonable assessment before entering into the agreement”* and it hadn’t acted irresponsibly.

Miss W’s complaint was considered by one of our investigators. They came to the view that Oodle hadn’t made an unfair lending decision. In other words, they didn’t uphold Miss W’s complaint.

Miss W disagreed with our investigator and so her complaint has been passed to me for review and decision.

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.

In this decision I’ve focussed on what I think are the key issues. Our rules allow me to do this and these rules reflect the informal nature of our service as a free alternative to the courts. If there’s something I’ve not mentioned, it isn’t because I’ve ignored it. I haven’t. I’m satisfied I don’t need to comment on every individual argument to be able to reach what I think is the right outcome. I will, however, refer to those crucial aspects which impact my decision.

I would also add I’ve not carried out a form of compliance check or sought to enforce the regulator’s rules. What I’ve done is looked at everything provided and decided whether Miss W has lost out due to Oodle failing to act fairly and reasonably in its dealings with her.

We’ve explained how we handle complaints about irresponsible and unaffordable lending on our website. And I’ve used this approach to help me decide Miss W’s complaint.

Having carefully thought about everything I’ve been provided with, I’m not upholding Miss W’s complaint. I’d like to explain why in a little more detail.

Oodle needed to make sure that it didn't lend irresponsibly. In practice, what this means is that Oodle needed to carry out proportionate checks to be able to understand whether Miss W could make her payments in a sustainable manner before agreeing to lend to her. And if the checks Oodle carried out weren't sufficient, I then need to consider what reasonable and proportionate checks are likely to have shown.

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 that information – 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, the amount lent was high, or the information the lender had – such as a significantly impaired credit history – suggested the lender needed to know more about a prospective borrower's ability to repay.

Oodle says it agreed to this application after it undertook a number of checks (including a credit search) and after it had undertaken an affordability assessment/calculation.

In Oodle's view, taking everything into account, the monthly payments for this agreement were affordable.

On the other hand, Miss W says the agreement was unaffordable from the outset and this could and should have been apparent to Oodle.

I've thought about what Miss W and Oodle have said.

The first thing for me to say is that like the investigator I'm not persuaded that the checks Oodle carried out went far enough. Given what the credit search carried out showed, the monthly payments, the term of the agreement and the total cost of the loan I think Oodle should have carried out further checks into Miss W's actual financial circumstances.

In these circumstances, I think that Oodle ought to have done more to ascertain Miss W's actual non-discretionary expenditure. That said, I don't think that Oodle obtaining further information on Miss W's actual non-discretionary expenditure would have made a difference to its decision to lend in this instance.

I say this because based on bank statements and other information provided by Miss W, what the credit search undertaken by Oodle shows and what Miss W declared on her application when her non-discretionary expenditure is deducted from the income she received she appears to have had enough left over to make the repayments to this agreement.

So I think that Oodle obtaining further information is likely to have led it to conclude that when Miss W's non-discretionary expenditure was deducted from her monthly income, she did have the funds, at the time at least, to sustainably make the repayments due under this agreement.

Furthermore, whilst this isn't always indicative that a loan was affordable at the outset, I can see that Miss W was able to make the first two and half years payments required of her, And this isn't normally consistent with a borrower being unable to afford the monthly repayments.

So in summary I don't think that Oodle acted unfairly or unreasonably towards Miss W and I'm not upholding her complaint. I appreciate that this will be disappointing for Miss W, but I hope she'll understand the reasons for my decision and at least accept that her concerns have been listened to.

My final decision

My final decision is I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 14 June 2024.

Peter Cook
Ombudsman