

Complaint

Mr S has complained about a loan Oakbrook Finance Limited (trading as “Finio Loans”) provided to him.

He says the loan was unaffordable given his circumstances at the time and so shouldn’t have been provided.

Background

Finio Loans provided Mr S with a loan for £1,500.00 in July 2023. This loan was due to be repaid in 24 monthly instalments of £93.17.

One of our investigators reviewed what Mr S and Finio Loans had told us. And she didn’t recommend that Mr S’ complaint be upheld.

Mr S disagreed and asked for an ombudsman to look at his complaint.

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 S’ complaint.

Having carefully considered everything, I’ve decided not to uphold Mr S’ complaint. I’ll explain why in a little more detail.

Finio Loans needed to make sure that it didn’t lend irresponsibly. In practice, what this means is Finio Loans needed to carry out proportionate checks to be able to understand whether Mr S 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.

Finio Loans says it agreed to Mr S’ application 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 S could afford to make the repayments he was committing to.

On the other hand, Mr S has said he was in financial difficulty.

I've carefully thought about what Mr S and Finio Loans have said.

The first thing for me to say is that Finio Loans has suggested it carried out credit searches. The output provided shows the unsecured credit commitments Mr S has referred to. But I'm satisfied that these weren't excessive in comparison to the income Mr S declared and which had been cross-checked against information provided by credit reference agencies on the amount of funds entering Mr S' account each month.

It's also fair to say that the credit commitments Mr S did have were relatively well maintained. For example, there were no recent defaulted accounts or other significant adverse credit information – the defaults that showed were from almost five years prior to this application.

I accept that Mr S appears to be suggesting that his actual circumstances may not have been fully reflected either in the information he provided, or the information Finio Loans obtained. For example, I've seen what he has said about suffering from a gambling addiction at this time. But it's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong. And what Mr S has told us simply wasn't reflected in the information Finio Loans obtained. So Finio Loans didn't know about this.

The low amount being lent, the relatively low amount of the monthly payments together with the lack of obvious indicators of difficulty in the information Finio Loans did obtain, lead me to think that reasonable and proportionate checks wouldn't have extended further.

At best, even if I were to accept that further checks were necessary, which I'm not necessarily persuaded is the case here, any such checks would only have gone as far as finding out more about Mr S' regular living costs. And I don't think that obtaining bank statements was the only way that Finio Loans could have done this. So even if Finio Loans had done more here, I don't think that this would have led to it finding out about Mr S' gambling.

As this is the case, I don't think that Finio Loans did anything wrong when deciding to lend to Mr S - it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable.

So overall I don't think that Finio Loans treated Mr S unfairly or unreasonably when providing him with his loan. And I'm not upholding Mr S' complaint. I appreciate this will be very disappointing for Mr S. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

Although I'm not upholding Mr S' complaint, I would remind Finio Loans of its continuing obligation to exercise forbearance and due consideration, given what Mr S has now said, should Mr S be experiencing difficulty and it choose to collect payments, in order to repay what's outstanding, from him.

My final decision

For the reasons I've explained, I'm not upholding Mr S' complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 31 May 2024.

Jeshen Narayanan
Ombudsman