

The complaint

Miss A complains that Oakbrook Finance Limited trading as Likely Loans (“LL”) refused to extend her loan term when her account fell into arrears.

What happened

Miss A took out a loan with LL on 22 June 2022. The repayments were £178.08 per month for 36 months.

In December 2022 the account fell into arrears. Miss A contacted LL on 28 December 2022 to advise that she’d had an unexpected expense that month. She asked to add the December payment to the end of the loan term. LL replied on 30 December 2022 and asked Miss A for further information about her situation and signposting her to organisations who might be able to help if she needed assistance with her financial situation. LL didn’t receive a response from Miss A.

On 30 January 2023 Miss A contacted LL via live chat. She said she’d had an unexpected expense but was otherwise up to date with her payments. Miss A asked if she could split the payment she’d missed in December across the rest of her payments. LL asked Miss A to complete an income and expenditure form.

On 12 March 2023 Miss A set up a payment arrangement to pay £450 per month for 6 months. She paid the first payment but the second payment was returned unpaid.

On 2 May 2023 Miss A set up another payment arrangement to pay £300 per month for 6 months. The first payment was returned unpaid.

Miss A set up further payment arrangements on 19 June 2023 and 7 July 2023.

Miss A complained to LL. She was unhappy that LL hadn’t allowed her to spread her missed payment over the remaining repayments or to defer it until the end of the loan. She said that LL hadn’t offered her any help and the missed payment and payment arrangements had negatively impacted her credit file.

LL didn’t uphold the complaint. In its final response, it said it apologised if Miss A felt that it hadn’t offered her any support with her payments but said that Miss A hadn’t made it aware that she was finding it difficult to maintain her payments. LL said it didn’t offer payment holidays and was unable to extend the loan term. It said that Miss A had set up the payment arrangements herself online and had determined the amount she wished to pay to clear the arrears balance.

Miss A remained unhappy and brought her complaint to this service.

Our investigator didn’t uphold the complaint. She said she didn’t think LL had done anything wrong. She said that when Miss A first asked LL if she could increase her monthly repayments to pay off the missed payment, the agent had advised that they needed to determine Miss A’s income and expenditure before offering a suitable repayment

arrangement. The investigator said that when Miss A went to the “struggling to pay” section and entered her income and expenditure details, and when the only option available was to pay £450 per month, she thought Miss A should’ve got back in touch with LL to explain that this wasn’t suitable for her situation.

Miss A didn’t agree so I was asked to review the complaint.

I issued a provisional decision in which I explained that I’d reviewed the live chat transcripts and that it was clear from these that Miss A wanted to spread the payment she’d missed in December across the remainder of the payments. It was also clear that the agent understood that Miss A wanted to clear the arrears by paying off the missed payment over a period of time. The agent advised Miss A to go onto the “struggling to pay” section and complete an income and expenditure form.

Miss A did this but having completed her details the only option she was presented with was to increase her monthly payments. Miss A has told this service that the only option she was given was to pay £450 per month, which was more than double her existing contractual payment.

It’s not in dispute that Miss A broke this – and subsequent – payment arrangements. LL has said that it set up payment arrangements for the amount which Miss A said she could afford to pay.

However, given that Miss A had told LL that she wanted to spread her missed payment over the remainder of the loan, I think LL would’ve been aware that Miss A wanted to spread the arrears of £178.08 over the remaining 30 months of the loan, which equated to around a £5.93 additional payment each month. It isn’t clear why the struggling to pay section which the agent asked Miss A to complete required Miss A to enter an arrangement of £450 per month. This service asked LL to provide an explanation because it appears to make no sense to offer Miss A a repayment plan which doubled her existing contractual monthly payment without there being any need to do so given the relatively low level of arrears she had accrued.

LL replied and said that by selecting the struggling to pay option, Miss A would’ve been asked to complete an income and expenditure form so that her current financial circumstances could be understood. It said this information was evaluated and recommendation made based on the data entered by Miss A. LL said that the recommendations weren’t set in place automatically and that the customer was required to accept them. It said that if the recommendations didn’t meet the customers’ requirements, then the customer could contact the customer service team.

I said I understood the point LL made about the recommendations. But I said that from Miss A’s perspective, the agent who directed her to the struggling to pay section hadn’t made her aware that she didn’t need to accept the recommendations produced by the system, and that she still had the option to contact customer services.

I said the recommendation produced by the struggling to pay system was clearly unsuitable for Miss A’s circumstances because it was more than double her contractual monthly payment. I felt that in the circumstances, LL could’ve provided better service to Miss A. The agent who communicated with Miss A via live chat knew that Miss A only had one month of arrears and that Miss A’s finances were back on track. The agent could’ve gone through Miss A’s income and expenditure on the chat, or asked Miss A to call customer services. I don’t think referring Miss A to the struggling to pay section was suitable for what Miss A had explained that she wanted to do. Even if referring Miss A to the struggling to pay section was the only thing that the agent could do, this should’ve been accompanied with clear advice

that if the figure produced by the system wasn't suitable, Miss A had the option to contact customer services to discuss her payments.

By the time Miss A breached her first payment arrangement, I think LL ought to have looked more closely at what was happening with the account. It should've been aware that Miss A was entering into arrangements which were significantly in excess of her contractual monthly payment.

At the same time, Miss A should've realised that she was being asked to enter into arrangements which were significantly in excess of her contractual monthly payments, and she could've contacted customer services to query this. Instead of contacting customer services, Miss A continued to set up further arrangements and break them.

Because the payment arrangements were agreed to by Miss A, and because they were broken, I'm unable to say that LL has made an error by reporting this to the credit reference agencies. LL is under an obligation to report accurate information to the credit reference agencies. The broken agreements are an accurate reflection of Miss A's account. So I can't ask LL to amend Miss A's credit file.

However, I do think LL could've provided better service to Miss A by making it clear that she didn't have to accept the recommendation generated by the struggling to pay system, and by contacting Miss A when it became clear after the first failed arrangement when it was clear that Miss A was entering into arrangements which required her to pay well in excess of her contractual monthly payment. I said that LL should pay compensation of £175 for the poor service it provided.

I invited both parties to let me have any further comments they wished to make.

LL said it had nothing to add. Miss A said she understood that she'd agreed the payment plan but said she'd tried to update the payment amount herself. She said this made it clear that she was trying to sort things out. She said if things had been sorted out correctly, she would only have one missed payment and not six showing on the account.

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.

I've taken what Miss A has said into consideration. But as I've said in my provisional decision, Miss A could've contacted customer services when she found that she wasn't able to change the repayment amount herself on the system. My view remains that LL hasn't made an error in the way it has reported the missed payments on Miss A's credit file.

Putting things right

Oakbrook Finance Limited trading as Likely Loans must pay compensation of £175 to Miss A.

My final decision

My final decision is that I uphold the complaint. Oakbrook Finance Limited trading as Likely Loans must pay compensation of £175 to Miss A.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 7 July 2024.

Emma Davy
Ombudsman