

## **The complaint**

Miss T complains that Oakbrook Finance Limited (“Oakbrook”) lent to her in an irresponsible manner.

## **What happened**

Miss T was given two loans by Oakbrook. She first borrowed £1,500 in January 2022 that she agreed to repay in 12 monthly instalments of £137.72. Miss T repaid that loan as planned. Miss T then borrowed £5,000 in January 2023 that she agreed to repay in 36 monthly instalments of £259.11. Miss T has faced some problems repaying that loan and complained to Oakbrook that it shouldn't have been approved.

Miss T's complaint has been assessed by one of our investigators. She thought that the checks Oakbrook had done before agreeing each loan had been proportionate. And she didn't think the results of those checks should have led Oakbrook to conclude that Miss T wouldn't be able to afford the contracted repayments. So she didn't think Miss T's complaint should be upheld.

Miss T didn't agree with that assessment. So, as the complaint hasn't been resolved informally, it has been passed to me, an ombudsman, to decide. This is the last stage of our process.

## **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.

We've set out our approach to unaffordable/irresponsible lending complaints on our website and I've kept this in mind while deciding Miss T's complaint.

The rules and regulations at the time Oakbrook gave these loans to Miss T required it to carry out a reasonable and proportionate assessment of whether she could afford to repay what she owed in a sustainable manner. This assessment is sometimes referred to as an “affordability assessment” or “affordability check”.

The checks had to be “borrower” focused – so Oakbrook had to think about whether repaying the credit sustainably would cause difficulties or adverse consequences for Miss T. In practice this meant that Oakbrook had to ensure that making the repayments wouldn't cause Miss T undue difficulty or adverse consequences. In other words, it wasn't enough for Oakbrook to simply think about the likelihood of it getting its money back, it had to consider the impact of any repayments on Miss T.

Checks also had to be “proportionate” to the specific circumstances of the loan application. In general, what constitutes a proportionate affordability check will be dependent upon a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount / type / cost of credit they are seeking.

In light of this, I think that a reasonable and proportionate check ought generally to have been *more* thorough:

- the *lower* a customer's income (reflecting that it could be more difficult to make any repayments to credit from a lower level of income);
- the *higher* the amount due to be repaid (reflecting that it could be more difficult to meet higher repayments from a particular level of income);
- the *longer* the period of time a borrower will be indebted for (reflecting the fact that the total cost of the credit is likely to be greater and the customer is required to make repayments for an extended period).

There may also be other factors which could influence how detailed a proportionate check should've been for a given application – including (but not limited to) any indications of borrower vulnerability and any foreseeable changes in future circumstances. I've kept all of this in mind when thinking about whether Oakbrook did what it needed to before agreeing to lend to Miss T.

Oakbrook gathered some information from Miss T before it agreed the first loan. It asked her for details of her income, and her normal housing costs. And it used some industry statistical data to estimate the remainder of Miss T's expenditure. It verified her declared income using a third-party reporting service. And it checked Miss T's credit file to see how much she was paying to other creditors, and how she had managed credit in the past.

It is fair to say that the credit check showed that Miss T had faced some problems with her finances in the past. She had received a County Court Judgement around six years earlier. And she had defaulted on some accounts – the most recent of which was around a year before. But the majority of Miss T's defaulted accounts, and the County Court Judgement, had been settled. And more recently Miss T had managed her credit accounts well, and the check didn't show any evidence of further problems.

The first loan that Miss T was given was relatively small. Oakbrook says that is an approach that it uses where consumers might have faced some problems managing their money in the past. Whilst that doesn't remove the need for the lender to conduct proportionate checks, I'd agree that, in line with what I've said above, those checks might not need to be as thorough as for a larger loan.

I think the relatively high income that Miss T declared, and the correspondingly high disposal income that indicated, might have given some reassurance to Oakbrook that any problems Miss T had previously faced managing her finances were now behind her. The recent evidence suggested that all was well. So I'm not persuaded that it would have been necessary for Oakbrook to request more information, or evidence, from Miss T about her finances before the loan was approved. I think that the checks Oakbrook performed were proportionate. And I think the results of those checks suggested the loan was affordable for Miss T. I don't think Oakbrook was wrong to approve this loan.

Miss T made all the required repayments on her first loan. Once that loan had been fully repaid she asked to borrow again from Oakbrook. The lender conducted similar checks to those I have described on the first loan. And the results it received were the same, albeit that a further year had elapsed since Miss T had experienced problems with her finances. So, for the same reasons as I explained for the first loan, I think the checks Oakbrook completed were proportionate. And as before I think the results of those checks suggested the loan was affordable for Miss T. I don't think Oakbrook was wrong to approve this loan either.

I appreciate that my decision will be disappointing for Miss T. I understand that she says her bank statements show evidence of financial problems, and excessive spending on gambling transactions. But that wasn't something she told Oakbrook about when she applied for the loans. And I don't think it was apparent from the results of the checks that Oakbrook received – from checks that I think were proportionate. I don't think Oakbrook was wrong to give either loan to Miss T.

### **My final decision**

For the reasons given above, I don't uphold the complaint or make any award against Oakbrook Finance Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss T to accept or reject my decision before 23 July 2024.

Paul Reilly  
**Ombudsman**