

## **The complaint**

Mr R complained that Oakbrook Finance Limited ("Oakbrook") irresponsibly granted him three personal loans (in August 2020, January 2022, and July 2022), that he couldn't afford to repay.

## **What happened**

Mr R took out the first loan (account number ending 3610) on 21 August 2020. The amount was £1,000, and the monthly payment was around £115 over a 12-month term. This was repaid slightly early, having been paid in full. The second loan of £1,000 (account number ending 7896) was opened on 24 January 2022. The monthly payment was £115.96, and the term was again 12 months. The third loan (account number ending 4326) was opened on 29 July 2022. The amount was £2,580.33 and the monthly payment was £168.15 over a term of 30 months. This loan was partly used to repay the second loan, and partly to provide additional borrowing of £2,000.

Mr R said Oakbrook should not have given him these loans, as it should have seen from his income and expenditure that they were unaffordable, and he is now in financial difficulty. He would like a refund of all charges and interest paid to date, and any adverse information removed from his credit record.

Mr R complained to Oakbrook about all this. Oakbrook upheld Mr R's complaint about the first loan, and said an amount of £439.47 was due to Mr R. With regard to the second and third loans, Oakbrook said that it had carried out the appropriate checks before granting the loans, and it told Mr R that it did not uphold his complaint about these loans. Mr R was unhappy with this and brought his complaint to this service. Our investigator looked into it but didn't think it should be upheld. Mr R didn't agree, and asked for it to be reviewed by an ombudsman.

## **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 approach to considering complaints about unaffordable and irresponsible lending is set out on our website, and I've taken this into account here.

I've decided not to uphold Mr R's complaint. I'll explain why.

In summary, before providing credit, lenders need to complete reasonable and proportionate affordability checks. There isn't a set list of checks required of a lender, but it needs to ensure the checks are proportionate when considering matters such as the type and amount of credit being provided, the size of the regular repayments, the total cost of the credit and the consumer's circumstances. So I've considered whether Oakbrook completed reasonable and proportionate checks to satisfy itself that Mr R would be able to make the repayments on each loan account in a sustainable way.

As Oakbrook has upheld Mr R's complaint about the first loan, and has offered compensation, I don't need to consider this loan any further. So in this decision I am only looking at the second and third loans - that is, those granted in January and July 2022.

Oakbrook sent in copies of the information it used to assess Mr R's loan applications, along with copies of the loan agreements. Mr R provided copies of his credit record and bank statements from the period when the loans were granted.

In summary, Oakbrook said that in each a case its checks were based on a review of Mr R's income and outgoings, information from a credit reference check and also from the Office for National Statistics (ONS), and information provided by Mr R.

I've looked at each loan in turn.

#### Loan no. ending 7896– January 2022

Oakbrook sent in details of the checks it carried out before granting this loan. It said that Mr R stated that his annual income was £17,232 before tax, and that it verified a net monthly income of just over £1,390 using open banking. This is consistent with what's on the bank statements that Mr R provided.

Oakbrook also said that its credit reference checks showed Mr R had unsecured debt on a current account and credit cards, and a communications contract. The total amount outstanding on all of these was just over £1,700, and Oakbrook calculated the monthly payments required as £69.04.

In terms of living expenses, Mr R had said he was living with family and had no housing costs. Oakbrook estimated Mr R's essential monthly living expenses as being £420.24, using ONS data. Taking Mr R's outgoings from the verified income, this left around £900 each month, and after deducting the payment on the new loan, just over £785 each month.

Oakbrook's checks showed that Mr R had missed one payment on his credit commitments in the preceding six months, but that all accounts were up to date at the point of application. The checks also showed that three accounts had gone into default, with the most recent being just under six years earlier. Oakbrook said the default balances had all been paid off in full by the time of this loan application. But there were no County Court Judgement's (CCJ's) found on Mr R's credit record, and no evidence of any recent payday lending.

Looking at the credit report Mr R sent in, I can see that he took out a loan with another lender at the end of December 2021. It looks as though this was for £925, (There is no information on whether this included interest or was simply the capital amount) with a monthly payment of £51. It is not unusual for there to be a time lag before new credit commitments appear on credit reference information, so I don't find it surprising that Oakbrook were not aware of this loan when it granted its own loan in January 2022.. But in any case Mr R appears to have had ample disposable income to cover that loan repayment also. Otherwise the information is consistent with what Oakbrook has told us.

Based on these figures, I think the checks that Oakbrook carried out – that is, the credit record check and the calculation of living costs – were reasonable and proportionate. The loan was relatively small and the information Oakbrook had didn't suggest that Mr R was over-committed or that he didn't have sufficient disposable income to allow him to meet the loan repayments on a sustainable basis. As I noted above, the default balances appear to have been cleared, and as Oakbrook lends to those with an adverse credit history, it is not surprising that it proceeded with the loan.

As Mr R has provided bank statements, I've also looked at these to see if there was information that Oakbrook ought reasonably to have identified from its own checks.

I can see that Mr R was using his overdraft – but the account was in credit for part of each month, so it was not persistently in overdraft. There are transfers from what appears to be another account in Mr R's name, but I don't have details of that account. A large number of transactions are not easily identifiable, but appear to be discretionary spending rather than other credit commitments.

Taking all this into account, I've not seen anything on Mr R's bank statement to change my view that the checks Oakbrook carried out before granting the loan were reasonable and proportionate, and there was nothing that it ought reasonably to have known that would have warranted more detailed enquiries, or suggested that Mr R would've been unable to make the loan repayments on a sustainable basis.

Overall, I don't think Oakbrook acted unfairly in granting the loan and therefore I don't uphold this element of Mr R's complaint.

#### Loan no. ending 4326– July 2022

Again, Oakbrook sent in details of the checks it carried out before granting this loan. It said that it verified a net monthly income of just over £1,225 using credit reference agency information. Mr R's salary as stated on his bank statements had seemed to vary over the preceding six months, but the figure is consistent with his average income over that time.

Oakbrook also said that its credit reference checks showed Mr R had unsecured debt on a current account and credit cards and his existing Oakbrook loan. The total amount outstanding on all of these was just over £2,840. Oakbrook calculated the monthly payments required as £82.50 (leaving aside the payments on its earlier loan which was being repaid from the new loan).

In terms of living expenses, Mr R had said he was still living with family. For this loan, Oakbrook still allowed for housing costs of just over £145. Oakbrook estimated Mr R's essential monthly living expenses as being £430.24 using ONS data. Taking Mr R's outgoings from the verified income, this left around £570 each month, and after deducting the payment on the new loan, just under £385 each month.

Oakbrook's checks showed that there were occasional missed or late payments, but all accounts were up to date at the point of application. There were no new defaults, no CCJ's and no evidence of recent payday lending found on Mr R's credit record.

Looking at the credit record and bank statements, it's not clear why the loan Mr R took in December 2021 did not appear in Oakbrook's checks. Having said that, lenders are not required to report data to all credit reference agencies, so it's possible that the lender in question did not use the credit reference agency from which Oakbrook drew its information.

I can also see from the bank statements that Mr R was using a form of credit whereby he would have a credit limit - as with a credit card – but could draw down amount up to that limit to pay into his bank account. However, the repayments could be significantly higher and vary each month.

I've thought about whether this affects the checks that Oakbrook should reasonably have done. Oakbrook said it collected the credit reference agency data automatically, so does not hold a report that it could provide to us – so it sent in a breakdown of the figures it used. However, the credit report that Mr R sent in lists this form of credit as a credit card. I think it's

most likely that it would have been classified in the same way in the information Oakbrook received. So I don't think that Oakbrook could reasonably have known that Mr R had something other than a standard credit card.

Having carefully considered all this, I think the checks that Oakbrook carried out on this loan were reasonable and proportionate. I accept that Mr R's overall borrowing had increased, but the total amount was still relatively low compared to Mr R's income.

I've also thought about the loan that did not appear in Oakbrook's checks. I don't have much information about the loan application, so I don't know what Mr R disclosed (or was asked). But I think it's reasonable to take it that if Mr R had disclosed it, Oakbrook would have recorded it. And in any case, Mr R's disposable income, as calculated by Oakbrook, was sufficient to cover that loan payment so it doesn't affect my decision.

Overall, I don't think the information Oakbrook had was enough to suggest that Mr R was over-committed or that he didn't have sufficient disposable income to allow him to meet the loan repayments on a sustainable basis.

I noted above that I had looked at Mr R's bank statements – I should also say here that, as before, a large number of transactions are not easily identifiable, but appear to be discretionary spending rather than other credit commitments. And again Mr R's account was not persistently in overdraft.

As with the first loan, I've not seen anything to change my view that the checks Oakbrook carried out before granting the loan were reasonable and proportionate, and there was nothing that it ought reasonably to have known that would have warranted more detailed enquiries, or suggested that Mr R would've been unable to make the loan repayments on a sustainable basis. So again, I don't think Oakbrook acted unfairly in granting the loan and therefore I don't uphold this element of Mr R's complaint.

In summary, I don't think Oakbrook acted unfairly in granting either loan, so I don't uphold Mr R's complaint.

### **My final decision**

For the reasons I've explained, I've decided not to uphold Mr R's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 4 October 2024.

Jan Ferrari  
**Ombudsman**