

The complaint

Mr W is complaining about Oodle Financial Services Limited trading as Oodle Car Finance. He says they were irresponsible in lending to him because the repayments were unaffordable.

What happened

In September 2021, Mr W took out a hire purchase agreement with Oodle to finance the purchase of a car. He borrowed £7,385 and needed to repay around £9,700. The agreement required Mr W to make 48 monthly repayments – the first and last being £250.01, and the others being £200.01. Mr W made all the payments on time and settled the agreement early, in December 2023.

In January 2024, Mr W complained to Oodle, saying that the lending had been irresponsible.

Oodle didn't uphold Mr W's complaint. They said Mr W's application told them he was working in management with an annual salary of £50,000. They said they'd checked Mr W's credit file and used Office for National Statistics (ONS) data to estimate Mr W's cost of living and car running costs. Oodle added that £200.01 was below the monthly maximum amount they were prepared to lend to Mr W.

Mr W was unhappy with Oodle's response so brought his complaint to our service. One of our investigators looked into it but didn't uphold it. She said she didn't think Oodle had conducted proportionate checks. But, she said, if they had, they could have fairly decided to lend to Mr W.

Mr W disagreed with our investigator, saying he didn't agree with the disposable income figure she'd calculated. Because Mr W disagreed with our investigator, the complaint was referred for a decision – and it came to me.

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.

Having done so, and acknowledging it'll be disappointing for Mr W, I'm not upholding his complaint for broadly the same reasons as our investigator. Whilst my explanation below doesn't cover every point Mr W has raised in making his case, I have focussed on what I would have expected Oodle to have done, and whether I think they could have reasonably decided to lend to Mr W.

The Financial Conduct Authority (FCA) sets out in a part of its handbook known as CONC what lenders must do when deciding whether or not to lend to a consumer. In summary, a firm must consider a customer's ability to make repayments under the agreement without having to borrow further to meet repayments or default on other obligations, and without the repayments having a significant adverse impact on the customer's financial situation.

CONC says a firm must carry out checks which are proportionate to the individual circumstances of each case.

Did Oodle carry out proportionate checks?

Oodle said they carried out the following checks:

- reviewed Mr W's credit file; and
- used statistical data to estimate Mr W's expenditure.

I can't see Oodle took any steps to verify Mr W's income. CONC says a firm shouldn't generally rely on a customer's own statement of their income. And in this case, Mr W needed to pay £200 per month for four years, so it was a significant commitment. Without any verification of income, I can't say Oodle's checks were proportionate.

If Oodle had carried out proportionate checks, what would they have found?

If Oodle had independently verified Mr W's income, I'm satisfied they'd have found his net income from employment was around £3,050 per month. I've calculated this taking an average from his bank statements for the three months around Mr W's application.

I've not seen any evidence of Oodle's calculation of Mr W's expenditure or disposable income. So I've gone on to consider what I think proportionate checks of his expenditure would have shown.

I've reviewed the credit report Oodle obtained. From this I can see Mr W needed to make payments of £606 per month for another vehicle, £53 per month for a mobile phone, and approximately £122 per month for his gas and electricity. On top of this, he had a credit card with a balance of £1,660 – I think Oodle should have included around £85 per month for Mr W to repay this balance within a reasonable timeframe. Mr W had no other active balances or monthly commitments – but he did have a defaulted account, which it was clear he was paying down. Proportionate checks would likely have included Oodle asking Mr W how much he was paying against the default and I can see from his bank statements that Mr W was paying £60 per month. So, in total, if Oodle had done proportionate checks, they'd have included around £900 in their affordability assessment for Mr W's existing credit commitments and his energy bills.

I'm aware Mr W was paying significantly more than this to his creditors most months, but I'm not taking this into account – it likely reflects discretionary spending on his credit card and mail order accounts, and Oodle were only required to include in their assessment the payments Mr W would need to make to repay the debts he had at the time of his application.

Turning to Mr W's other expenditure, I've considered what Mr W's told us about his spending. Excluding payments to creditors and for gas and electricity (because they're included above), his own summary of his expenditure says his living expenses were around £1,800 per month. This includes rent, life insurance and various other insurances, several different phone bills, and subscriptions to several entertainment providers, as well as an estimate for food and fuel costs. I've not sought to verify Mr W's estimated expenditure – I don't think Oodle would have needed to do so for their checks to be proportionate.

So if Oodle had carried out proportionate checks, I think they'd have been able to determine that Mr W had income of around £3,050 per month, spending in relation to his credit file of around £900 per month, and other living expenses of up to £1,800 per month. This would have left him with around £350 per month from which to make the repayments due under this agreement of £200 per month. So I'm satisfied Oodle could have fairly decided the agreement was affordable for Mr W.

Have Oodle acted unfairly in any other way?

I'm sorry to hear Mr W has experienced a worsening in his financial circumstances since taking out the agreement with Oodle. But I can't say Oodle should have been aware of this or done anything differently – Mr W made all the payments due under this agreement on time.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think Oodle lent irresponsibly to Mr W or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

As I've explained above, I'm not upholding Mr W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 20 August 2024.

Clare King
Ombudsman