

The complaint

Ms M complains that Oakbrook Finance Limited lent to her irresponsibly.

What happened

Ms M's complaint is about four loans provided by OFL. The details of the loans were as follows:

Loan 1: July 2019 £5000 repayable by 24 monthly instalments of £379.81

Loan 2: August 2020 £5000 repayable by 24 monthly instalments of £379.81

Loan 3: August 2021 £4,697 repayable by 12 monthly instalments of £530.45

Loan 4: January 2022 £5000 repayable by 24 monthly instalments of £327.18

Ms M complained that Oakbrook lent irresponsibly to her.

Our investigator didn't uphold the complaint. He said – in relation to Loans 1 and 2 – that Oakbrook had carried out reasonable and proportionate checks and that the loans were affordable for Ms M. In relation to Loans 3 and 4 the investigator said he thought that Oakbrook should've carried out further checks, but that in the absence of information to show that the loan was unlikely to be sustainably repaid, he couldn't conclude that the lending was unaffordable.

Ms M didn't agree. She said that Oakbrook hadn't provided the credit report from the time of lending but had asserted that the information extracted from the credit report showed that she had no defaulted or delinquent accounts during the 12 months prior to lending. Ms M said that the credit report she had provided contradicted this. She wanted to know why this service had chosen to use the information provided by the lender without sight of the credit report when she had provided a credit report which showed that in the six months prior to lending she had taken out two unsecured loans, four payday loans, one high-cost loan and had utilised credit cards for cash advances. Ms M said she had also exceeded her credit limit with other lenders five times and had one late payment. Ms M said she didn't agree that Oakbrook had carried out proportionate checks before lending to her.

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 general approach to complaints about unaffordable and irresponsible lending including the key relevant rules, guidance and good industry practice is set out on this services website.

Oakbrook needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice, this means that it should've carried out proportionate checks to make sure Ms M could afford to repay what was being lent to her in a sustainable manner.

There's no set list of checks that a business needs to carry out. But a business needs to make sure that the checks it carried out are reasonable and proportionate and take into consideration things like the amount being lent, the repayment amount and the consumers income and expenditure.

I've looked at the checks that Oakwood completed in relation to each of the loans.

Loan 1

I can see that when Ms M applied for the loan, she declared annual income of £54,000. Oakwood verified this using Current Account Turn Over data from the credit reference agency and found that Ms M had net monthly income of £3112.99. Oakwood used information from the Office of National Statistics (ONS) to estimate Ms M's housing costs and living expenses and calculated a figure of £813.88 per month. Oakbrook obtained information about Ms M's other credit commitments from the credit reference agency and calculated that she had other credit commitments of £379.81 per month, before taking account of the Loan 1 instalment of £379.81. Using all this information, Oakbrook calculated that Ms M had monthly disposable income of £1,411.30.

Oakbrook also reviewed Ms M's credit record. It found that Ms M hadn't been in arrears with any of her financial commitments in the last six months and that there were no county court judgments registered within 36 months of the application. It found that in the last 12 months Ms M had taken out two unsecured loans. It found that in the six months prior to the application Ms M hadn't taken out any payday loans.

Using the information it had obtained, Oakbrook carried out an affordability assessment and found that there was nothing to suggest that the loan wasn't affordable for Ms M.

I've thought about whether the checks carried out by Oakwood were reasonable and proportionate. I haven't seen anything in the information it obtained to suggest that it should've carried out further checks. I'm satisfied that the checks were reasonable and proportionate.

I've also considered whether the decision to lend was fair. I've looked at the information obtained from the checks. I haven't seen anything to suggest that there was a risk that Ms M wouldn't be able to afford the loan. The loan was relatively small, considering Ms M's overall financial circumstances. Looking at Ms M's monthly disposable income, there was sufficient disposable income to afford the loan.

Loan 2

I can see that when Ms M applied for the loan, she declared annual income of £36,000. Oakwood verified this using Current Account Turn Over data from the credit reference agency and found that Ms M had net monthly income of £3025.98. Ms M told Oakwood that she had housing costs of £520 per month. Oakwood used information from the Office of National Statistics (ONS) to estimate Ms M's living expenses and calculated a figure of £875.96 per month. Oakbrook obtained information about Ms M's other credit commitments from the credit reference agency and calculated that she had other credit commitments of £220.00 per month, before taking account of the Loan 2 instalment of £379.81. Using all this information, Oakbrook calculated that Ms M had monthly disposable income of £1,030.21. Oakbrook added a monthly expenditure buffer of £50 to this figure and calculated remaining monthly disposable income at £980.21.

Oakbrook also reviewed Ms M's credit record. It found that there were no county court judgments registered within 36 months of the application and no defaults within 12 months of

the application. It found that Ms M wasn't in arrears with any of her financial commitments and that these commitment had reduced in the past six months. It took into account the fact that Ms M hadn't been in arrears on Loan 1. It found that in the six months prior to the application Ms M hadn't taken out any payday loans.

Using the information it had obtained, Oakbrook carried out an affordability assessment and found that there was nothing to suggest that the loan wasn't affordable for Ms M.

I've thought about whether the checks carried out by Oakwood were reasonable and proportionate. I haven't seen anything in the information it obtained to suggest that it should've carried out further checks. I'm satisfied that the checks were reasonable and proportionate.

I've also considered whether the decision to lend was fair. I've looked at the information obtained from the checks. I haven't seen anything to suggest that there was a risk that Ms M wouldn't be able to afford the loan. Looking at Ms M's monthly disposable income, there was sufficient disposable income to afford the loan.

Loan 3 (top up loan)

Ms M declared annual income of £61,000. Oakwood verified this using Current Account Turn Over data from the credit reference agency and found that Ms M had net monthly income of £3462.93. Oakwood used information from the Office of National Statistics (ONS) to estimate Ms M's housing costs and living expenses and calculated a figure of £408.72 for housing costs and £919.65 for living expenses per month. Oakbrook obtained information about Ms M's other credit commitments from the credit reference agency and calculated that she had other credit commitments of £599.00 per month, before taking account of the Loan instalment of £530.45. Using all this information, Oakbrook calculated that Ms M had monthly disposable income of £1,005.11. Oakbrook added a monthly expenditure buffer of £230.64 to this figure and calculated remaining monthly disposable income at £774.47.

Oakbrook also reviewed Ms M's credit record. It found that there were no county court judgments registered within 36 months of the application and no defaults within 36 months of the application. It found that Ms M wasn't in arrears with any of her financial commitments, nor did she have any payment arrangements in place. It took into account the fact that Ms M had never been in arrears on her Oakbrook loans.

Loan 4

Ms M declared annual income of £60,500. Oakwood verified this using Current Account Turn Over data from the credit reference agency and found that Ms M had net monthly income of £3648.26. Oakwood used information from the Office of National Statistics (ONS) to estimate Ms M's housing costs and living expenses and calculated a figure of £408.72 for housing costs and £919.66 for living expenses per month. Oakbrook obtained information about Ms M's other credit commitments from the credit reference agency and calculated that she had other credit commitments of £722.00 per month, before taking account of the Loan instalment of £327.18. Using all this information, Oakbrook calculated that Ms M had monthly disposable income of £1,270.70. Oakbrook added a monthly expenditure buffer of £205.04 to this figure and calculated remaining monthly disposable income at £1065.66.

Oakbrook also reviewed Ms M's credit record. It found that there were no county court judgments registered within 36 months of the application and no defaults within 36 months of the application. It found that Ms M hadn't been in arrears with any of her financial commitments in the last 6 months, nor did she have any payment arrangements in place. It took into account the fact that Ms M had never been more than 20 days in arrears on her

previous Oakbrook loan and had taken out only 1 unsecured loan in the last 12 months and no payday loans in the last 6 months.

I've thought about whether the checks carried out by Oakwood in relation to Loans 3 and 4 were reasonable and proportionate.

Looking at the information that Oakwood obtained from the credit checks for Loans 3 and 4, it's clear that Ms M's total debt had increased significantly in a relatively short period of time. Her total debt when she applied for Loan 2 in August 2020 was £4,400 but by the time she applied for Loan 3 just one year later her total debt was £12,800. Ms M's debt to income ratio at this point was 32%. I can also see that Ms M took out Loan 3 only one month after settling Loan 2.

I think Oakbrook should have been concerned by this information and carried out further checks for both Loans 3 and 4.

I've gone on to consider what proportionate checks would've shown had these been carried out for Loans 3 and 4.

This service asked Ms M to provide bank statements for the period of three months leading up to the lending decisions for Loans 3 and 4. These bank statements would give an accurate picture of what Ms M's financial circumstances were like at the relevant time and would enable this service to make an assessment of what reasonable and proportionate checks would've shown, whether the loans were sustainably affordable and whether the lending decisions were fair.

Ms M hasn't provided any bank statements, so I haven't been able to consider this further. Because of the lack of evidence, I'm not able to fairly conclude that Loans 3 and 4 weren't affordable. So, I'm unable to say that Oakbrook lent irresponsibly in relation to Loans 3 and 4.

Ms M responded to the investigators' view and queried why, in relation to Loan 2, this service had accepted the data provided by Oakbrook when we had not had sight of the credit report but only an extraction from it. Ms M said the credit report she had provided contradicted the data provided by Oakbrook. She said that the credit report she had provided showed that in the six months prior to Loan 2 she took out 2 unsecured loans, 4 payday loans, 1 high-cost loan and utilised credit cards for cash advances. Ms M said she didn't think the checks for Loans 1 and 2 were proportionate.

This service asked Oakbrook to provide the RAW extracted data. Oakbrook said that the data was extracted in a coded format and that it wasn't able to provide it, but it confirmed that the data it had provided was the data it received at the time of lending.

I appreciate that Ms M has provided a credit report with different data. Ultimately, the differences between the data provided by Oakbrook and the credit report provided by Ms M are due to which credit reference agencies the lenders reported to. Some credit accounts are reported differently to different agencies and sometimes not at all. In Oakbrook's case, they used Experian to obtain data, which is a recognised credit reference agency.

It isn't the role of this service to penalise a lender for using a particular credit reference agency. In irresponsible and unaffordable lending cases, the role of this service is to look at whether the lender has carried out reasonable and proportionate checks, and whether the lending decision was fair. We investigate this based on the information obtained by the lender at the time of the lending decision. I have no reason to believe that the information provided to this service by Oakbrook regarding the data it obtained isn't correct. The

alternative view would be to suggest that Oakbrook have made the data up or fabricated it in some way to suit its own purposes. I haven't seen anything in the information provided which gives me any reason to think that this is the case.

For the reasons I've given, I don't think Oakbrook lent irresponsibly to Ms M or otherwise treated her unfairly.

I've also considered whether the relationship might've been unfair under section 140A of the Consumer Credit Act 1974. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms M to accept or reject my decision before 19 September 2024.

Emma Davy
Ombudsman