

Complaint

Mr V complains that Oodle Financial Services Limited (trading as “Oodle” Car Finance) unfairly entered into a hire-purchase agreement with him. He’s said that the monthly payments to this agreement were unaffordable.

Background

In January 2019, Oodle provided Mr V with finance for a used car. The the total cash price was £12,996.00. Mr V didn’t pay a deposit and entered into a hire-purchase agreement with Oodle for the entire amount of the purchase.

The loan had total interest, fees and charges of £4,973.80 (made up of interest of £4,873.80, a document fee of £50 and an option to purchase fee of £50) and a 60-month term. This meant that the total amount to be repaid of £17,969.80 was due to be repaid in a first monthly payment of £347.83, followed by 58 monthly instalments of £297.83 and then a final monthly payment of £347.83.

Mr V’s complaint was considered by one of our investigators. He didn’t think that Oodle had done anything wrong or treated Mr V unfairly. So he didn’t recommend that Mr V’s complaint should be upheld.

Mr V disagreed with our investigator and the complaint was passed to an ombudsman for a final decision.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

We’ve explained how we handle complaints about irresponsible and unaffordable lending on our website. And I’ve used this approach to help me decide Mr V’s complaint.

Having carefully considered everything, I’m not upholding Mr V’s complaint. I’ll explain why in a little more detail.

Oodle needed to make sure that it didn’t lend irresponsibly. In practice, what this means is that Oodle needed to carry out proportionate checks to be able to understand whether any lending was sustainable for Mr V before providing it.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify that information – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low, the amount lent was high, or the information the lender had – such as a significantly impaired

credit history – suggested the lender needed to know more about a prospective borrower's ability to repay.

Oodle says it agreed to this application after Mr V provided details of his employer as well as his annual income. It says it also carried out credit searches on Mr V which did show some defaulted accounts recorded against him. But when reasonable repayments towards the amount Mr V owed on his active accounts, plus a reasonable amount for Mr V's living expenses were deducted from his monthly income the monthly payments were still affordable.

On the other hand, Mr V says the monthly payments were unaffordable.

I've thought about what Mr V and Oodle have said.

The first thing for me to say is that, much like our investigator, I don't think that the checks Oodle carried out did go far enough. I don't think it was reasonable to rely on an estimate of Mr V's living costs given the amount of adverse information on his credit file.

However, given Mr V's response to our assessment, I think it's worth me emphasising that just because I don't think that Oodle carried out sufficient checks this, on its own, doesn't mean that Mr V's complaint should be upheld.

Indeed, where a firm didn't carry out sufficient checks we would usually only go on to uphold a complaint in circumstances where we were able to recreate what reasonable and proportionate checks are likely to have shown – typically using information from the consumer – and this clearly shows that the repayments in question were unaffordable.

I have therefore gone on to consider what I think proportionate checks into Mr V's circumstances are more likely than not to have shown Oodle. Bearing in mind, Mr V's previous difficulty, the length of time of the agreement and the amount of the monthly payment, I would have expected Oodle to have had a reasonable understanding about Mr V's regular living expenses as well as his income and existing credit commitments.

That said, I don't think that Oodle carrying out further checks is more likely than not to have made a difference here. I say this because I'm satisfied that Oodle is still likely to have lent to Mr V even if it had found out more about his actual living expenses, rather than relied on estimates.

I say this because in my view, when reasonable repayments to Mr V's existing credit are added to the payments which I've been able to see for Mr V's living expenses (in the information he has provided) and then deducted from the funds he received, he does appear to have had sufficient funds to make the payments to this agreement.

I accept that the real reason for any difficulty Mr V may have gone on to have making his payments to this agreement is unlikely to have been due to his existing credit commitments or his living expenses. It's also possible – but by no means certain – that Oodle might have taken a different decision had it seen these bank statements at the time.

But what I need to think about here is what did Oodle need to do in order to answer the questions its initial checks left unanswered – in other words, what were Mr V's actual regular living expenses (bearing in his income and credit commitments had already been validated against information from credit reference agencies)? – given this was a first agreement and Mr V was being provided with a car rather than cash.

Bearing in mind checking bank statements wasn't the only way for Oodle to have found out more about Mr V's actual living costs – it could have obtained copies of bills or other evidence of payment etc – I don't think that proportionate checks would have extended into obtaining the bank statements Mr V has now provided.

So I don't think that Oodle could reasonably be expected to have known about the nature and extent of Mr V's gambling at the time. I think that it is also worth noting that Mr V was being provided with an asset rather than cash, which had lower monthly payments than the vehicle Mr V was trading in as part of entering into this agreement. Given Mr V would have lower payments going forward and he would not have been able to gamble what was borrowed, I think that this, in any event, limits the relevance of any gambling in this instance.

Overall and having carefully considered everything, while I don't think that Oodle's checks before entering into this hire purchase agreement did not go far enough, I'm, in any event, satisfied that carrying out further checks won't have stopped Oodle from providing these funds, or entering into this agreement with Mr V.

In reaching this conclusion, I've also considered whether the lending relationship between Oodle and Mr V might have been unfair to Mr V under section 140A of the Consumer Credit Act 1974 ("CCA").

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

I appreciate that this will be disappointing for Mr V. But I hope he'll understand the reasons for my decision and at least consider that his concerns have been listened to.

My final decision

My final decision is that I'm not upholding Mr V's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr V to accept or reject my decision before 21 October 2024.

Jeshen Narayanan
Ombudsman