

## **The complaint**

Mr E complains that Oodle Financial Services Limited trading as Oodle Car Finance was irresponsible in its lending to him. He wants all interest and charges refunded along with interest and compensation for the distress and inconvenience he has been caused.

Mr E is represented by a third party but for ease of reference I have referred to Mr E throughout this decision.

## **What happened**

Mr E entered into a hire purchase agreement with Oodle Car Finance in May 2018 to acquire a used car. He said that the interest rate was excessive and that adequate checks weren't carried out before the lending was provided. He thought that had these happened, Oodle Car Finance would have realised that the payments under the agreement weren't affordable. He said he was consistently operating in his overdraft in the months leading up to the finance being given and he didn't have sufficient disposable income to make the required repayments. He also said that he was gambling at the time and had a number of unpaid direct debits all of which was clear from his bank statements. He said that adequate checks would have shown he was struggling financially and gambling and that providing the lending wasn't responsible.

Oodle Car Finance issued a final response letter dated 29 December 2023. It said that when Mr E applied for finance, he said he was employed with a gross income of £31,200 and was living with parents. It carried out a credit check which showed one historic default. Mr E had a credit card, current account and communication account with no missed payments. An affordability assessment was undertaken which Oodle Car Finance said showed Mr E could afford to make the repayments under the agreement. It explained that Mr E was provided with the details of the lending including the cost of the finance and the total amount he needed to repay and that it wasn't aware of Mr E's issue with gambling at the time. Oodle Car Finance believed it carried out reasonable checks before lending and didn't accept that the lending was irresponsible.

Mr E referred his complaint to this service.

Our investigator noted that Mr E took out the agreement in May 2018 and made all of his payments on time until May 2020. He then terminated the agreement in October 2020. She considered the checks Oodle Car Finance undertook and didn't think that Mr E's credit file raise concerns. She noted the affordability assessment undertaken but said given the size of the loan, its APR, term and monthly repayments she thought it would have been prudent for Oodle Car Finance to have got a better understanding of Mr E's non-discretionary spending to ensure the agreement was affordable for him. She requested copies of Mr E's bank statements and based on the income and expenditure figures these showed she didn't think that further checks would have shown the lending to have been unaffordable. She acknowledged that Mr E was gambling but accepted that Oodle Car Finance wasn't aware of this at the time and said that while she thought further checks were required, Oodle Car Finance wasn't required to request bank statements and so she couldn't say that further checks would have alerted it to this. Taking all this into account, our investigator didn't

uphold this complaint.

Mr E didn't agree with our investigator's view. He said that there were clear signs that he was struggling financially at the time of the lending with his account showing him to be in his overdraft, unpaid direct debits, and several gambling transactions. He said these should have raised concerns. He also disputed the income and expenditure calculations saying that his disposable income wasn't enough to sustainably afford the repayments. He said he was in a precarious financial position at the time of the agreement being provided and this additional lending shouldn't have been given. He requested that his complaint be referred for an ombudsman decision.

### **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 or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

Before Oodle Car Finance provided the hire purchase agreement it gathered information about Mr E's employment, income and residential status. Mr E said he was working full time with an annual income of £31,200. A credit check was carried out and an affordability assessment was undertaken based on Mr E's declared income, financial commitments (from his credit file) and estimated costs for running a car and estimated living and housing costs based on third party data.

The credit search identified that Mr E had one unsatisfied default and three active accounts. The defaulted account had an outstanding balance of £90 and the default had been recorded in November 2016. Mr E then had a credit card account with a credit limit of £250 and balance of £25, a current account and a communications account. Given the default was historic and Mr E had no recent adverse data recorded I do not find that his credit check results raised any concerns that meant the lending shouldn't have been provided or that further checks were needed.

The total amount repayable under the hire purchase agreement was £27,611.80 and the agreement had a 60-month term. Mr E was required to make an initial repayment of around £480 followed by 58 monthly payments of around £430 and a final payment of around £480. An affordability assessment was carried out based on Mr E's declared income and estimates for Mr E's expenses. Noting Mr E's declared annual income against the amount Mr E was borrowing, the term of the agreement and the repayments, I think that further checks should have taken place so that Oodle Car Finance had a clear understanding of Mr E's financial situation, including his specific expenses, to ensure that the lending was sustainably affordable for him.

I do not find that Oodle Car Finance was required to request copies of Mr E's bank statement as it could have gathered the information in other ways, such as asking for details about Mr E's expenses. But as I have been provided with Mr E's bank statements for the months leading up to the lending, I have used the information these contain to understand what would likely have been identified had further questions been asked.

Looking through Mr E's bank statements he was receiving regular income from his employer although the amounts varied. Taking the average over the three months leading up to the agreement gave a net monthly income of around £1,500. Mr E was making regular payments for insurance, credit commitments and gym membership. These averaged around £785 in the three months leading up to the agreement. While Mr E also had other living costs, noting he was living with parents, I do not find that had further questions been asked about his expenses, this would have identified the agreement to have been unaffordable.

Mr E's bank statements show that he was gambling, had returned direct debits and while he did go overdrawn on occasions, his account was generally in credit. However, I do not find in this case that Oodle Car Finance was required to request copies of Mr E's bank statements and I note his credit check didn't raise any concerns that he was struggling financially. Oodle Car Finance has said that Mr E didn't make it aware that he was gambling at the time of the lending, and I have nothing to suggest that he would have declared this had further questions about his expenses been asked. Therefore, based on the information that I consider would have been identified through further checks, I do not find that I can say Oodle Car Finance acted irresponsibly by providing the lending to Mr E.

I note Mr E has also complained about the interest applied to the hire purchase agreement. While I note the comment, I can see that Mr E was provided with clear information both in the pre contract credit information form and the hire purchase agreement about the interest rate charges, the total cost of the lending and the amounts he would need to pay each month. Therefore, I find he was provided with the information he needed to make an informed decision about whether or not to enter into the agreement with the interest rate it contained. The information provided also explained that Mr E had a 14 day right to withdraw and so had he changed his mind about the agreement after signing he could have exercised this option. As Mr E signed the agreement, he accepted its terms and as I have nothing to suggest the interest has been applied incorrectly, I do not uphold this part of his complaint.

I've also considered whether Oodle Car Finance acted unfairly or unreasonably in some other way given what Mr E has complained about, including whether its relationship with Mr E might have been unfair under s.140A Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Oodle Car Finance lent irresponsibly to Mr E 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**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 5 December 2024.

Jane Archer  
**Ombudsman**