

The complaint

Mr W complains that Oodle Financial Services Limited trading as Oodle Car Finance was irresponsible in its lending to him. He wants all interest, fees and charges that were paid under his hire purchase agreement refunded along with interest.

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

What happened

Oodle Car Finance provided Mr W with a hire purchase agreement in September 2019 to finance the acquisition of a car. Under the agreement Mr W was required to repay a total of around £21,260 through an initial payment of around £403 followed by 58 payments of around £353 and a final payment of around £403. Mr W says that the lending wasn't adequately explained to him, and reasonable checks weren't carried out to ensure the repayments were affordable.

Oodle Car Finance issued a final response to Mr W's complaint dated 12 January 2024. It said that when Mr W applied for finance, he said that he was employed with an annual income of £45,540 and that he was a private tenant. A credit check was carried out which showed Mr W had two defaults recorded (one from November 2017 and one from July 2018) with a combined balance of £468. He also had active credit card accounts, bank accounts, loans, a hire purchase agreement and a communication account on which he had no missed payments. Oodle Car Finance said that an affordability assessment was undertaken using Mr W's declared income, the data from the credit reference agencies and third-party data to estimate Mr W's other expenses. It said that based on this the agreement was affordable.

Mr W referred his complaint to this service.

Our investigator noted that Oodle Car Finance had provided a copy of its credit search results and that Mr W's accounts were all up to date. But he said he hadn't seen evidence that Mr W's income had been verified. He thought that Oodle Car Finance should have verified Mr W's income and got a more thorough understanding of Mr W's financial circumstances before lending. However, he found that had this happened, this wouldn't have shown the agreement to be unaffordable. Because of this, he didn't uphold this complaint.

Mr W didn't agree with our investigator's view. He said he was financially vulnerable at the time the finance was provided and his disposable income had been miscalculated. He said that his previous hire purchase payments needed to be included as these were part of his costs prior to the new agreement being provided. He said that the new agreement added an unsustainable financial burden and shouldn't have been provided. Mr W also referred to a call to Oodle Car Finance on which he explained he was on a reduced income and in financial difficulties.

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 providing Mr W with finance, Oodle Car Finance gathered information about Mr W's employment, income and residential status. It also carried out a credit check. Mr W said that he was employed with an annual income of £45,540 and that he was a private tenant. The credit check showed that Mr W had two unsettled defaults (from November 2017 and July 2018) with a total amount outstanding of £468. He had other active accounts (credit cards, current accounts, loan accounts and a hire purchase) on which there was no adverse data recorded.

Given the defaults were recorded more than a year prior to Mr W applying for this finance and he was maintaining his active accounts without missing payments, I do not find that the defaults alone meant that the lending shouldn't have been provided. However, noting Mr W's credit history and also that he had taken out two credit card accounts within a few months of applying for this finance, I think that Oodle Car Finance should have carried out further checks to ensure this new lending would be sustainably affordable for Mr W.

In this case, I think it would have been reasonable for Oodle Car Finance to have verified Mr W's income and to have asked further questions about his expenses. Oodle Car Finance wasn't required to request copies of Mr W's bank statements but as I think further checks were needed I have looked at the information these contain to understand what would likely have been identified had further checks taken place.

In the three months leading up to the finance being provided, Mr W's average net monthly income was around £2,315. Mr W's expenses included his rent (based on the information provided this appeared to be around £700 a month), utilities, insurance, phone and other communication contracts, existing credit commitments, as well as his costs of running a car and his general living expenses. These totalled around £1,700. Mr W has said that the cost of his existing hire purchase agreement needed to be included in the calculations, but as I understand this was replaced by the new hire purchase agreement, I find it reasonable that this cost wasn't included. Taking all of this into account, I do not find that further checks would have shown the hire purchase agreement to be unaffordable.

Mr W has also said that the lending wasn't adequately explained to him. While I note this comment, having looked at the pre-contract credit information sheet this clearly set out the amount of credit being provided, the interest rate, the total amount repayable and the monthly repayment amounts. This information was also included in the agreement. Therefore, I find that Mr W was provided with sufficient information to make an informed decision about the lending. Had he decided after signing the agreement that he was no longer happy with the finance he could have exercised his right to withdraw within the first 14 days.

Mr W has also explained that he contacted Oodle Car Finance about his financial circumstances. However, as this was a few months after the agreement had been provided, and this decision is about whether the agreement should have been considered affordable for Mr W, I do not find that this changes my decision.

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

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 W to accept or reject my decision before 12 December 2024.

Jane Archer
Ombudsman