

The complaint

Mr B complains that Oodle Financial Services Limited trading as Oodle Car Finance failed to carry out adequate affordability checks before providing him with a hire purchase agreement. He says this has caused him financial hardship and he wants the payment he made under the agreement along with any deposit payment refunded along with interest.

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

What happened

Mr B entered into a hire purchase agreement with Oodle Car Finance in February 2020 to finance the acquisition of a car. He said that adequate checks weren't carried out before the lending was provided to ensure that it was affordable. He said that Oodle Car Finance failed to comply with the relevant statutory and regulatory obligations and that the provision of the agreement caused him financial hardship.

Oodle Car Finance issued a final response to Mr B's complaint dated 16 May 2024. It said that when Mr B applied for finance, he declared an annual gross income of £20,000. It said an affordability assessment was undertaken considering Mr B's declared income, residential status, financial commitments identified through his credit file and estimated costs for running the car and living expenses. It said that its checks showed the monthly repayments under the agreement of around £160 were affordable for Mr B.

Oodle Car Finance noted that Mr B settled the agreement in April 2020 using money from his wages and savings.

Mr B referred his complaint to this service.

Our investigator noted the information that Oodle Car Finance gathered before the hire purchase agreement was provided but thought that it should have taken further steps to build a more detailed picture of Mr B's financial situation. She said that had this happened, Oodle Car Finance would have seen that Mr B had average monthly income in the three months leading up to the lending of £3,126. His non-discretionary spending including costs such as rent, council tax, water, energy, communications contracts and other financial commitments totalled around £963 (Mr B had calculated this as around £1,014). She took into account Mr B's spending on food and fuel as well as other costs of running a car (insurance, tax, breakdown cover). She said that using Mr B's lowest monthly income figure for the period assessed, and the identified expenses, Mr B had disposable income of around £965 which suggested the hire purchase agreement was affordable.

Mr B didn't accept our investigator's view. He said the income figure was incorrect as it included payments from temporary work which weren't sources of regular income, overtime payments as well as an insurance payout. He said that he spent £150 on food each month and £250 on fuel but this didn't all appear on his bank statements as he sometimes paid in cash. He also noted other irregular payments that he had made during the assessment period. Mr B explained that he made the initial payment due under the agreement on 1 April

2020 but then found the monthly repayments unaffordable and found more affordable finance to replace the agreement.

Our investigator responded to Mr B's comments. She noted the income and expenditure figures provided but also that Mr B had declared an annual income of £20,000 which would give a net monthly income of around £1,428. She said that based on the evidence received she couldn't reasonably conclude that the agreement was unaffordable.

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.

As part of the application process, Oodle Car Finance gathered information about Mr B's employment, income and residential status. He said he was employed full time with an annual gross income of £20,000. A credit check was carried out which showed Mr B had one default recorded and six active accounts. The default was recorded in 2015, and so was historic and as Mr B didn't have any recent adverse information recorded on his credit file, I do not find that the default on its own meant the lending shouldn't have been provided.

Oodle Car Finance has said that third party data was used to estimate Mr B's expenses such as general living costs, however I haven't seen the results of these. And noting the duration of the lending I think that Oodle Car Finance needed to take steps to ensure it had a clear understanding of Mr B's income and expenses.

I have therefore considered what Oodle Car Finance would likely have identified had further checks been carried out. Oodle Car Finance wasn't required to request copies of Mr B's bank statements but as I think it needed to understand Mr B's actual income and expenses, I have relied on the information these contain in my assessment.

Mr B's bank statements show that alongside his main employment he received income from other sources. He has said these shouldn't be taken into account as they were temporary. Looking solely at the income Mr B received from the employer he included in his application showed that he had an average income for the three months leading up to the lending of around £1,986. Mr B has said this isn't accurate as the income for one month included back payments and another month included overtime. I have taken Mr B's comments into account but also note that he declared an annual gross income of £20,000 (which would equate to a monthly net income of around £1,437). And based on the evidence I have seen I find that any further assessment of his payslips or his bank statements would have shown that his monthly income in the months leading up to the lending was above that amount.

But taking Mr B's income as the declared net earnings of £1,437, I still find that this doesn't raise concerns about the affordability of the agreement. Based on the information provided by Mr B and contained in his bank statements, he had monthly expenses of around £1,000 for costs such as rent, utilities, mobile phone, insurance, council tax, financial commitments, cost for running a car, food and fuel. The monthly repayments under the agreement were for

around £160. So, based on the information I have seen, I do not find I can say that further checks would have identified the lending to have been unaffordable.

Mr B settled the agreement early in April 2020. At that time, he was asked about his settlement payment, and he said he made it using wages and savings and that he had another loan active at the time. He didn't raise concerns about the affordability.

Taking everything into account, I do not find that the evidence provided shows that proportionate checks would have shown the hire purchase agreement to have been unaffordable or identified other issues that meant that the lending shouldn't have been provided.

I've also considered whether Oodle Car Finance acted unfairly or unreasonably in some other way given what Mr B has complained about, including whether its relationship with Mr B 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 B 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 B to accept or reject my decision before 10 December 2024.

Jane Archer
Ombudsman