

The complaint

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

What happened

Oodle Car Finance provided Mr S with a hire purchase agreement in June 2019 to finance the acquisition of a car. Under the agreement Mr S was required to repay a total of around £9,099 through an initial payment of around £200 followed by 58 payments of around £150 and a final payment of around £200. Mr S 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 S's complaint dated 12 January 2024. It said that when Mr S applied for finance he said he was employed with an annual income of £25,200 and that he was a home owner. It carried out a credit check which showed Mr S had six accounts defaulted between January and May 2015 with a combined balance of £20,898. He had two credit card accounts with a combined credit limit of £2,800 and combined balance of £270 and no missed payments reported. He also had two current accounts, a communication account and a secured loan. Oodle Car Finance said it carried out an affordability check which showed the repayments under the agreement were affordable. It said that Mr S was provided with the key financial details of the agreement in the pre-contract credit information document. It said Mr S had made his payments under the agreement.

Mr S referred his complaint to this service.

Our investigator noted that the credit check results showed a large balance on defaulted accounts and that Mr S had recent missed payments on an agreement and had entered an arrangement. She thought this should have raised concerns that Mr S was struggling to maintain his current repayments. She said that Oodle Car Finance gathered information about Mr S's employment situation but not his income or non-discretionary spending. Based on the evidence our investigator had seen she thought that Oodle Car Finance should have carried out further checks to understand Mr S's income and expenditure to ensure the lending was affordable for him.

Our investigator assessed the information contained in Mr S's bank statements for the months leading up to the lending to understand what Oodle Car Finance would likely have identified if proportionate checks had taken place. She found that Mr S's average monthly income was around £1,852 and his average non-discretionary spending around £1,363. Adding the cost of the hire purchase agreement to this left Mr S with average disposable income of around £388. Based on this our investigator found the agreement to be affordable.

Mr S didn't agree with our investigator's view. He said he was overdrawn in the months leading up to the finance being provided showing that he had insufficient income to meet his outgoings. He noted that he had six outstanding defaults and was using his credit cards and other short term borrowing to meet his essential payments which showed he was in financial difficulty before the lending was provided.

Mr S said that the calculation of disposable income didn't include the cost of car maintenance and if this was included it would reduce his monthly disposable income to around £253 which he said wasn't sufficient to cover day to day expenses let alone unexpected costs. Mr S said that this agreement had placed him under financial pressure which had taken its toll on his mental health and family life.

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 S with finance, Oodle Car Finance gathered information about his employment, income and residential status. It also carried out a credit check. Mr S declared that he was employed, with a gross annual income of £25,200 and was a home owner. His credit check showed that he had six defaults recorded in 2015 and a loan that had been put into an arrangement. He also had two credit card accounts, two current accounts and a communication account on which there weren't missed payments.

Given the defaults were recorded in 2015, around four years before the finance application and no more recent defaults were noted, I do not find that these alone meant the finance shouldn't have been provided. However, noting that Mr S still had over £20,000 outstanding on his defaulted debt, and also had a loan more recently placed into an arrangement, I think that Oodle Car Finance should have carried out further checks to verify Mr S's income and expenses to ensure than any new lending would have sustainably affordable for him.

Because I think that further checks were required, I have looked through Mr S's bank statements for the three months leading up to the lending to understand what Oodle Car Finance would likely have identified had proportionate checks taken place. Having done so, I can see that Mr S's average net monthly income was around £1,852. He had regular outgoings for costs such as housing costs, car tax, insurance and his other credit commitments. These totalled around £1,320 a month. Noting the repayments under the hire purchase agreement were for around £150 a month, I do not find that further checks would have identified the lending as unaffordable.

I note the comment made about Mr S operating in his overdraft, and I can see this was the case on one of his current accounts. However, the account did go into credit each month when Mr S received his salary and he then transferred a substantial amount of his salary to another account which was generally in credit. Therefore, I do not find that this changes my decision that further checks wouldn't have suggested the lending to be unaffordable.

Mr S 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 S 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.

I've also considered whether Oodle acted unfairly or unreasonably in some other way given what Mr S has complained about, including whether its relationship with Mr S 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 S 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 S to accept or reject my decision before 12 December 2024.

Jane Archer
Ombudsman