

Complaint

Ms W complains that Oodle Financial Services Limited (trading as “Oodle” Car Finance) unfairly entered into a hire-purchase agreement with her. She’s said that the monthly payments to this agreement were unaffordable and better checks would have shown this.

Background

In July 2018, Oodle provided Ms W with finance for a used car. The purchase price of the vehicle was £8,788.00. Ms W paid a deposit of £496 and sought finance for the remaining £8,292.00 needed for the purchase.

The loan had interest, fees and total charges of £2,587.84 (comprising of interest of £2,487.84 a document fee of £50 and an option to purchase fee of £50), and a 48-month term. This meant that the total amount to be repaid of £10,879.84 was due to be repaid in a first monthly repayment of £274.58, followed by 46 monthly instalments of £224.58 and then a final instalment of £274.58.

Ms W’s complaint was considered by one of our investigators. She didn’t think that Oodle had done anything wrong or treated Ms W unfairly. So she didn’t recommend that Ms W’s complaint should be upheld.

Ms W 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.

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

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 Ms W’s complaint.

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 Ms W 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.

Having carefully thought about everything I've been provided with, I'm not upholding Ms W's complaint. I'd like to explain why in a little more detail.

Oodle says it agreed to this application after Ms W provided details of her salary. It says it also carried out credit searches on Ms W which showed some outstanding balances and that she had four defaulted accounts. Although it considered these defaults to be historic as three of them occurred almost six years prior to this application and the final one was from five years prior. And when reasonable payments based on the amount Ms W owed to existing creditors, plus estimates of her living expenses were deducted from her monthly income the monthly payments were still affordable.

On the other hand, Ms W says the monthly payments were unaffordable.

I've thought about what Ms W and Oodle have said.

The first thing for me to say is that Oodle didn't simply accept Ms W's declarations at face value as it carried out credit checks. I appreciate that Oodle was aware that Ms W had two defaults on her credit file at the time. However, these defaults were from 2012 and 2013.

So I don't think it unreasonable for Oodle to have placed less weight on these defaults than Ms W's more recent credit history. And given Oodle would also have seen that Ms W was managing what she owed on her active lines of credit reasonably well, I don't think that Ms W's credit history in itself meant that she shouldn't have been lent to.

Nevertheless, while I don't think that the presence of the defaults on Ms W's credit file meant that she shouldn't have been lent to, I do think that the existence of them meant that Oodle needed to find out more about Ms W's actual living expenses, rather than relying on an estimate of these.

However, 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 Ms W even if it had found out more about her actual living expenses.

To be clear, I wouldn't have expected Oodle to carry out a forensic analysis of her income and expenditure. I think that, at best, Oodle ought to have asked Ms W a bit more about her regular living expenses. I think that if it had done this here, Oodle was more likely that not to have concluded that Ms W could sustainably make the repayments due under this agreement.

In my view, when the payments to credit which Oodle factored into its assessment (based on its credit search) are added to the payments I've been able to see for Ms W's living expenses and then deducted from her income, she would appear to have sufficient funds to make the payments to this agreement.

Ms W says it isn't fair to exclude all of her discretionary income from our assessment. But I have to take into account that Ms W, at the time at least, thought that it was an appropriate time to purchase a vehicle, which she's clearly said she wanted and needed at the time. Therefore, the information she is likely to have provided at this stage would have been geared towards being approved for the finance, rather than making a successful complaint about irresponsible lending.

In these circumstances, I don't think that she would have sought to highlight that she would continue making discretionary payments going forward in a way that would have made the monthly payments unaffordable.

Equally, Ms W has said that our assessment hasn't taken into account her role as a single mother. It is unclear what Ms W means by this. However, I can't see that Ms W told Oodle that she was a single mother. Indeed, not only does the information from the application suggest that Ms W actually told Oodle that she was married but the bank statements she has supplied to us show transfers to and from someone who the payment descriptions describe as her husband. So I don't see how Oodle could have been expected to factor in the fact that Ms W might have, as she says, been a single mother.

Finally, I've thought about what Ms W has said about being pressured to accept this loan, by the dealership that supplied the vehicle to her, when she already had an agreement with more manageable payments arranged. Again, the relevance of this argument is not clear. But in any event Ms W would have known she already had a loan arranged and Oodle would not have known this.

So it's unclear what Ms W expects Oodle to have done and more importantly why she has made this aspect of her complaint to Oodle and not the supplying dealer, when it is the party that is able to respond to Ms W's allegations. In any event, as Ms W chose to enter into this agreement in the full knowledge of its terms, I can only assume that she was happy to contract with Oodle rather than the other lender she had lined up.

In reaching my conclusions, I've also considered whether the lending relationship between Oodle and Ms W might have been unfair to Ms W under s140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I've not been persuaded that Oodle irresponsibly lent to Ms W or otherwise treated her unfairly in relation to this matter. And I haven't seen anything to suggest that s140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

Overall and having carefully considered everything, while I think that Oodle's checks before entering into this hire purchase agreement with Ms W ought to have gone further, I'm satisfied that carrying out further checks won't have stopped Oodle from providing these funds, or entering into this agreement with Ms W. So I'm satisfied that Oodle didn't act unfairly towards Ms W when it entered into this agreement with her and I'm not upholding the complaint.

I appreciate that this will be disappointing for Ms W. But I hope that she'll understand the reasons for my decision - namely why I think that proportionate checks are likely to have shown the payments to this agreement were affordable - and she'll at least consider that her concerns have been listened to.

My final decision

My final decision is that I'm not upholding Ms W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms W to accept or reject my decision before 16 December 2024.

Jeshen Narayanan
Ombudsman