

## **The complaint**

Mr C has complained that Oakbrook Finance Limited, trading as Likely Loans, acted irresponsibly when it provided him with a loan for £1,000 in 2014.

## **Background**

Mr C applied for a £1,000 loan with Likely Loans in December 2014. He has explained that at the time he was gambling in a severe and harmful way and as a result of this compulsive behaviour his finances eventually spiralled out of control. He has said that he began to miss his repayments and as a result the loan was eventually sold to a third-party debt collector and ultimately resulted in a County Court Judgement (CCJ) being added to his credit file for the defaulted amount. Mr C has said that the consequences of the loan continue to impact him negatively nearly 10 years after he got it. He wants Likely Loans to refund the loan amount to him and remove the CCJ from his credit file.

Likely Loans has said that at the time Mr C applied for the credit his declared income was £34,000 a year and his credit file showed he had only £400 of existing debt to maintain each month. It says there was no evidence of arrears, defaults or CCJs recorded against him at the time and so it felt that the loan, which required monthly repayments of less than £100, would be both affordable and sustainable for him. So, it didn't think it had done anything wrong in providing him with the loan and didn't uphold his complaint.

Unhappy with Likely Loans' response Mr C brought his complaint to our service. One of our investigators looked into it already. She found that Likely Loans had completed sufficient checks, given the relatively low amount and short repayment term of the loan, and that there was nothing to indicate Mr C was experiencing financial stress at the time or that more thorough checks were required. So, she didn't think it was wrong to provide the loan based on what it knew at the time and didn't uphold the complaint.

Mr C disagreed with the investigators' findings and said that he didn't think the checks completed by Likely Loans were sufficient under the rules that govern credit providers and that it should have questioned why he was applying for a loan with a high interest rate if he was financially secure. He repeated his belief that Likely Loans should have identified him as financially vulnerable and had failed to adhere to the regulatory standards it's bound by.

As Mr C disagreed with the investigator he asked for an ombudsman to review his complaint again, and so was passed to me for consideration.

I issued a provisional decision on Mr C's case on 1 November 2024. In it I explained I didn't think the checks completed by Likely Loans were sufficient. However, I said that even if the business had completed sufficient checks at the time Mr C applied for the loan in 2014 I didn't think it would have found any reason to think it would be unaffordable for him. So, despite the initial error on the part of the business I didn't think it acted irresponsibly by approving the loan and so didn't think I had grounds to uphold the complaint.

I asked both parties to respond to the provisional decision by 15 November 2024 after which I would consider any new information or comments I received.

Likely Loans confirmed it had nothing further to add. Mr C didn't respond to the provisional decision. As neither party has provided any new information for me to consider my opinion remains the same as that set out in the provisional decision and I'm not upholding Mr C's complaint. For the sake of clarity, I will repeat those findings below.

## **My findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I want to acknowledge that I've summarised the events of the complaint and some of the points raised by Mr C in response to the view. But I want to assure both parties that I've reviewed everything on file. And if I don't comment on something, it's not because I haven't considered it. It's because I've concentrated on what I think are the key issues. Our powers allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

I'd also like to clarify that this service isn't a regulatory body or a Court of Law and doesn't operate as such. Instead, we are an informal, impartial dispute resolution service. And while we do take relevant law and regulation into account when arriving at our decisions, our remit is focussed on determining whether we feel a fair or unfair outcome has occurred – from an impartial perspective, after taking all the factors and circumstances of a complaint into consideration.

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.

Those 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, the total cost of the credit and what it knew about the consumer at the time of application.

Mr C has mentioned the Consumer Credit Sourcebook ("CONC") in his submissions to us. This is the regulatory handbook issued by the Financial Conduct Authority ("FCA") outlining the rules credit providers must adhere to when providing consumers with access to various types of credit. Mr C believes that Likely Loans breached several of the rules set out in CONC primarily those regarding the sorts of checks it should have performed in order to verify his income and existing levels of debt before issuing him with the loan in 2014.

I've been given limited information from both parties regarding the sorts of checks that were completed or what information those checks would have shown, which isn't unusual given the passage of time. Mr C says that Likely Loans didn't do enough to verify his declared income, but I've also not seen anything that shows that the amount he declared was incorrect or that he misrepresented it to Likely Loans at the time.

Our investigator found that the checks Likely Loans said it completed at the time were likely sufficient. I don't agree with her on that point, as I've not seen enough to show that the checks were reasonable. I say this because from the limited information Likely Loans has been able to provide it doesn't appear as though it asked Mr C for any information regarding his fixed monthly outgoings. So, I can't see that it properly considered what his actual disposable income was each month.

As I can't be sure that the checks completed were proportionate I need to consider what I

think proportionate checks would have shown and whether they would have resulted in Likely Loans deciding not to provide Mr C with the loan.

Mr C's declared annual income at the time was £34,000 a year. While I appreciate Mr C has flagged this wasn't verified by Likely Loans I've not been given any evidence to show this was incorrect or that his actual income was substantially lower than the amount he submitted when he applied for the loan. The loan itself was for £1,000, which is a relatively low amount, and the term was for 12 months which would also be considered a short term. So, the level of checks that I'd expect Likely Loans to complete in regard to this sort of lending would reflect these factors and wouldn't necessarily be as in depth as the sorts of checks I'd expect to see on a higher value loan over a longer period.

The rules in CONC only require that checks are 'proportionate' and aren't prescriptive. There is no requirement on lenders to request specific pieces of evidence and what will be considered reasonable in some circumstances may not be necessary in others.

Mr C has said repeatedly that Likely Loans never asked to see his bank statements. He says that if it had it would have immediately seen the high levels of gambling as well as lending from other high-cost credit providers. If it had reviewed these Mr C believes it would have refused to provide him with the loan.

I've not seen any bank statements from Mr C, but I don't doubt what he has told us about his personal circumstances or that his gambling was out of control and becoming problematic. And I don't doubt that if Likely Loans had reviewed his statements it would have been apparent that he was gambling in a compulsive and harmful way. But the issue I have is that there was no obligation on Likely Loans to request Mr C's bank statements as part of the application process. CONC doesn't require that lenders request these in order to approve an application for credit. And while I can't safely say the checks Likely Loans completed were sufficient I also don't think that if it had properly assessed Mr C's monthly fixed outgoings and had verified his income, which could be done with a payslip, it would have deemed it necessary to request sight of his bank statements as well.

It does seem from the information I have reviewed that at the time of application Mr C's credit file was in relatively good order, and he only had approximately £400 of existing debt which was being properly maintained. Mr C believes such a low amount of debt is unusual and should have been queried but I disagree with him on that point and think it's reasonable that Likely Loans could rely on the information showing in his credit file at the point of application.

So, despite the fact that Likely Loans didn't ask for sufficient information on Mr C's regular monthly outgoings, it did have sight of his existing credit commitments, and declared annual salary. And based on this information it decided that the loan, which had monthly repayments of just under £100, would be manageable for him. I think it was reasonable for Likely Loans to conclude that the loan would be affordable because it appeared Mr C had approximately £2,000 of disposable income before deducting his monthly living expenses. So even if Mr C had provided all the relevant information around these outgoings, the monthly loan repayments were relatively low and so would likely have been covered by his remaining disposable monthly income.

Mr C has also said that the fact that Likely Loans provided credit with much higher interest rates attached indicates it was targeting consumers who were higher risk and therefore the checks it completed should have been more thorough. I don't disagree that the interest rates charged by Likely Loans were higher than those offered by some other credit providers at the time, and it is true that subprime lenders may apply higher interest rates to offset the higher risk of potential customers not repaying their credit in full. But that is allowed by the

FCA, and Likely Loans weren't acting outside of the rules set by the regulator in providing credit in the manner it did.

Therefore, having looked at the limited information available to me from the time of lending, while I don't think Likely Loans asked for enough information about Mr C's outgoings at the time he applied for the loan; I also don't think that information would have resulted in it refusing to provide him with the credit. And as I've explained there was no obligation on it to ask for his bank statements and so I don't think it would have realised that he was gambling in harmful way or that the loan, which Mr C said was for a holiday, would be used to gamble.

Mr C has said that Likely Loans was over reliant on automated checks and that there wasn't enough human evaluation involved in his application. It is not unusual for businesses to run initial checks through automated systems and then, depending on the outcome of those checks, decide if a more thorough review is needed. As I've explained already, in regard to the loan Mr C took out in 2014, I don't think there was anything in those basic checks that indicated Mr C was becoming financially vulnerable. I appreciate that things spiralled out of control for him shortly after taking this loan out and that he had also applied for credit elsewhere around the same time, but Likely Loans had no sight of that, and nothing was showing on his credit file at the time. So, I can't say the business failed to pick up on signs he was financially vulnerable when he applied for the loan.

Finally, Mr C has said that Likely Loans failed to offer him support as a vulnerable consumer. But as I've said above I don't think it was aware he was vulnerable. And Mr C has said that when things did become unmanageable he didn't contact the business as he became overwhelmed by everything. And from what I can see it did contact him regularly when he stopped making payments and explained how he could contact it to discuss his options. But I can't see that Mr C did that. So, I'm currently unable to say it failed to offer support when it should have known support was needed.

I've also considered whether Likely Loans acted unfairly or unreasonably in some other way, including whether its relationship with Mr C might have been viewed as unfair by a court under s.140A Consumer Credit Act 1974. However, for the same reasons I've set out above, I've not seen anything that makes me think this was likely to have been the case.

All of which means I don't think Likely Loans was wrong to approve Mr C's loan application in 2014 and therefore I can't uphold his complaint on that basis.

### **My final decision**

For the reasons set out above, and in my provisional decision of 1 November 2024, I don't uphold Mr C's complaint against Oakbrook Finance Limited, trading as Likely Loans.

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

Karen Hanlon  
**Ombudsman**