

The complaint

Miss B complains through a representative that Oodle Financial Services Limited trading as Oodle Car Finance ("Oodle") gave her a hire purchase agreement without carrying out adequate affordability checks.

What happened

In November 2019, Oodle provided Miss B with a hire purchase agreement for a used car. The cash price for the vehicle was £7,000 and Miss B paid a £2,850 deposit. Miss B also borrowed £3,672.28 to settle an existing agreement. The total amount of credit advanced was £7,822.98 with £3,072.70 of interest, fees and charges. With a total to repay of £10,895.68. Miss B was due to make one payment of £274.91 followed by 46 payments of £224.91 followed by a final payment of £274.91. The agreement was repaid in December 2023.

Oodle issued a final response letter about Miss B's unaffordable lending complaint in April 2024, and it didn't uphold it because it considered that it had undertaken proportionate checks before lending to Miss B. Miss B's representative then referred the complaint to the Financial Ombudsman.

Miss B's complaint was considered by an investigator. The investigator said the checks conducted by Oodle weren't proportionate because it hadn't verified her income and it wasn't able to show what figures it used for Miss B's living costs. However, had Oodle taken steps to check Miss B's living costs – perhaps by using bank statements it would've seen the agreement was affordable for her.

Miss B's representatives disagreed saying after Miss B's outgoings and loan payments she would only be left with £161 to cover any emergency expenditure – which it doesn't consider to be enough.

These comments didn't change the investigator's assessment and so the complaint has been passed to me, an ombudsman, for a decision.

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.

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

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 Miss B 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.

Oodle, as part of the application process, took details of Miss B's income which she declared was £18,813 per year - gross. No further checks were made into Miss B's income, and it was this figure that was used for the affordability assessment.

It also knew that Miss B lived in rented accommodation and had lived at the same address for at least two years. But it doesn't seem, at least from the information that I've been provided with, that Oodle knew how much the monthly cost of this was to Miss B.

Oodle conducted a credit search before granting the agreement and it has provided a copy of the results that it received. I've considered these results to in order to see whether Oodle was given any indication that Miss B was, or was likely having, financial difficulties at the time the agreement was granted.

Oodle discovered she had four active accounts including a utility, a hire purchase agreement, a current account and a mobile phone. From the credit file Oodle worked out Miss B's monthly repayments came to £278 – but £223 of this was the hire purchase agreement that was to be settled with this agreement. All of these active accounts appeared to have been managed well.

Miss D had two defaults recorded on her credit file, but the most recent had been recorded nearly 18 months before the agreement started. The other default was from 2015. In my view these defaults were too historic to have given Oodle any cause for concern.

The credit search results wouldn't have indicated to Oodle that Miss B was currently having, or was likely to have in the near future, financial difficulties and so I don't think these results would've been sufficient – on their own, to have led Oodle to carry out further checks or to have declined her application.

Oodle then conducted an affordability assessment, which it says took into account his declared income, minus the loan payment, minus the costs that it discovered from the credit reference agency as well as the estimated car running costs and day to day living expenses obtained from the Office of National Statistics (ONS). Having carried out these checks, Oodle was satisfied that the monthly repayment Miss B was due to make were affordable.

However, like the investigator I don't think Oodle's checks went far enough. It hadn't taken steps to verify her income and it was reliant on statistical data for its assessment of affordability, and it hasn't provided the figures it used for this assessment. In the absence of that I can't agree the checks were proportionate.

Oodle's checks could've gone further simply by asking Miss B what her living costs were, asked for evidence from Miss B about her bills or as I've done, it could've asked for copy bank statements.

But to be clear, I've only used the bank statements to get an idea of what Miss B's regular living costs are likely to have been at the time – I've not done this because I think Oodle

ought to have requested this information as part of underwriting this loan. Afterall Oodle already had a reasonable idea of Miss B's credit commitments.

I accept had Oodle conducted proportionate checks it may not have seen all the information that I have seen. But, in the absence of Oodle conducting a proportionate check I do think it's fair and reasonable to consider the open banking statements that I now have access to. And having looked at the statements I've come to the same conclusions as the investigator for broadly the same reasons.

Miss B's income, including wages and benefits came to around £1,900 per month and so had Oodle taken steps to check Miss B's income I think it would've likely discovered this is what Miss B received.

On top of that she had a number of direct debit payments and other living costs to cover items such as rent, insurance and utilities to name a few and I've taken those into account as well as food costs that I can see. Having done this I still think, like the investigator, that Miss B had more than sufficient disposable income after making her payments to cover her living costs and existing commitments to be able to afford this agreement.

I've also considered the income and affordability assessment provided by Miss B's representatives, which show the loan to be affordable based on their calculation. I accept it has made arguments that she wasn't left with enough income to cover emergencies. But I also can't ignore that Miss B had an existing agreement that was due to be settled that was costing her broadly the same amount as this Oodle agreement. And the credit file showed that she was able to repay the other agreement without difficulties.

So, I don't see a reason why Oodle would've thought, given everything it had gathered and what it saw in the credit file, that Miss B wouldn't be able to sustainably make her repayments towards this agreement or didn't have any enough left over each month to cover any unforeseen circumstances.

I am therefore not upholding Miss B's complaint.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Oodle lent irresponsibly to Miss B or otherwise treated her 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

For the reasons I've outlined above, I am not upholding Miss B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 9 January 2025.

Robert Walker
Ombudsman