

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 May 2018, Oodle provided Ms W with finance for a used car. The purchase price of the vehicle was £8,300.00. However, as Ms W was seeking to exit a finance agreement that she already had early, she needed to pay £1,150.00 to cover the shortfall between the outstanding balance and the amount her existing car was worth. As Ms W wanted to borrow this additional amount, this meant that she sought finance of £9,450.00. Oodle agreed to provide this finance via hire-purchase agreement.

The loan had interest, fees and total charges of £3,643.60 (comprising of interest of £3,544.60 a document fee of £50 and an option to purchase fee of £50), and a 60-month term. This meant that the balance to be repaid of £13,093.60 was due to be repaid in a first monthly repayment of £266.56, followed by 58 monthly instalments of £216.56 and then a final instalment of £266.56.

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 that she had three defaulted accounts. Although it considered these defaults to be historic as they occurred around five years prior. Oodle was also aware that Ms W had two county court judgments ("CCJ") recorded against her.

Nonetheless, it says that when reasonable payments based on the amount Ms W owed to existing creditors, plus estimates of her living expenses (based on statistical data) were deducted from her monthly income, the monthly payments were 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 defaults and CCJs recorded against her. However, 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, rather than statistical data.

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 the income she received, she appears to have sufficient funds to make the payments to this agreement. To be clear, in reaching this conclusion, I've considered the income Ms W was in receipt of, rather than what she declared to Oodle. So her further points on the lack of verification in relation to her income do not make a difference to my findings.

Ms W says it isn't fair to exclude all of her discretionary expenditure from our assessment and in any event the assessment lacks the depth to understand her full financial position. But Oodle didn't need to carry out a full assessment of Ms W's financial circumstances. What it

needed to do was carry out reasonable and proportionate checks. These two things aren't one and the same.

I also 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 simply 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.

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 8 January 2025.

Jeshen Narayanan
Ombudsman