

The complaint

Miss F complains through a representative that Oodle Financial Services Limited (“Oodle”) gave her a hire purchase agreement without carrying out adequate affordability checks.

What happened

In October 2019, Oodle provided Miss F with a hire purchase agreement for a used car through an introducer. The cash price for the vehicle was £8,320 and an £800 deposit was taken. The total amount of credit advanced was £7,500 with £4,787.80 of interest, fees and charges. With a total to repay of £13,107.80. Miss F was due to make one payment of £253.13 followed by 58 payments of £203.13 and then a final payment of £253.13. The agreement was repaid in August 2020. Miss F provided evidence this agreement was settled by taking out a bank loan.

Miss F, through her representative complained to Oodle in April 2024 about the checks that were carried out before the agreement was entered into. A complaint was also made about the disclosure of commission.

Oodle issued a final response in May 2024, and it didn’t uphold it because it considered that it had undertaken proportionate checks before lending to Miss F. It also detailed the commission that was paid. Miss F’s representative then referred the complaint to the Financial Ombudsman.

However, Miss F’s representative said the commission element didn’t need to be considered. Therefore, this decision will only deal with whether Oodle did all it ought to have done before lending to Miss F.

Miss F’s complaint was considered by an investigator. He said the credit check results received by Oodle ought to have prompted it to have taken a closer look at Miss F’s monthly living costs. The investigator reviewed Miss F’s bank statements and the investigator was satisfied that had Oodle taken a closer look at Miss F’s finances it still would’ve lent.

Miss F’s representatives disagreed saying in summary;

- Oodle can’t provide the ONS data that was relied upon and as such shouldn’t be considered.
- The original deposit of £820 was made up of her current car for which she received £400 and then she borrowed £420 from a friend. Miss F provided evidence of the loan from a friend – which she says the dealer encouraged her borrow.
- Oodle didn’t ask for evidence of her employment – and she’d only started with this employer two weeks before the loan was taken. She was a contractor with only a weeks’ notice, had Oodle been aware of this then it wouldn’t have lent.
- At the time of the loan Miss F received benefits and so had Oodle known this it wouldn’t have lent to her and she didn’t have any disposable income available.
- Miss F disagreed with the way the investigator worked out her disposable income – and she provided statements which Miss F says shows she couldn’t afford the finance.

- From October 2019, Miss F's outgoings increased because she had started work so now had council tax payments, petrol and childcare costs.

These comments didn't change the investigator's assessment and so the complaint has been passed to me, 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 F's complaint. Having carefully thought about everything I've been provided with; I'm not upholding Miss F'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 F 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.

Miss F has also raised arguments about the role of the introducer of the finance. She has said Oodle wasn't given the correct information about her circumstances, for example that she had been employed for a period of five years when this wasn't the case. She had only been at work for two weeks and before that she was claiming benefits. She has also made some comments around the pressure she was under to buy a different vehicle – which she ultimately refused to purchase.

In the first instance, it's fair to say that Miss F is in effect advancing further arguments as why she shouldn't have been given the finance, which I will address further in this decision.

Additionally, Miss F seems to be arguing that the introducer may not have passed relevant information to Oodle about her finances. If that is the case then the introducer is the correct party to direct this complaint to. Indeed, I don't think that I can fairly or reasonably come to a conclusion on the actions of the introducer without first having its version of events, which I've not had and will not have because Miss F has not complained to that party.

So, if Miss F has concerns about the actions of the introducer – then she will need to approach it and raise her concerns.

Turning to the checks Oodle conducted before it advanced the finance agreement. Oodle, as part of the application process, was told that Miss F's income was £23,750 per year. No further checks were made into Miss F's income, and it was this figure that was used for the affordability assessment.

Miss F says that her income wasn't as high as that, she'd just finished university and had been on benefits. She'd only been working as a contractor for a couple of weeks before the finance started and her contract was only due to run until January 2020. I deal with this later in the decision.

It also knew that Miss F was a council tenant and had lived at the same address for over 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 F.

But Oodle has said that it took Miss F's declared income, residential status as well as her commitment from her credit file, running costs of the car and then used Office of National Statistics data to work out what it calls a "...cost of living" as well as housing expenses. When using ONS data it took account of Miss F's income and the region in which she lived.

However, as the investigator pointed out, Oodle hasn't provided us with the exact figures that it used for its assessment beyond using the declared income. I would add that using ONS data isn't in itself wrong because the regulations allow a lender to do so unless it knows or ought reasonably to have known that Miss F's expenditure was higher or using statistical data wouldn't likely result in a reasonable representation of Miss F's circumstances. In this case, I don't think it was appropriate to use ONS data.

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 see whether Oodle was given any indication that Miss F was, or was likely having, financial difficulties at the time the agreement was granted.

Oodle discovered she had eight active accounts with a total outstanding debt of £3,678 – which is modest – basically all of the outstanding debt related to overdraft balances on two current accounts. And for seven of the accounts there was no adverse credit file data and the accounts seemed to have been well managed.

The credit file showed no defaults, but Miss F was in an arrangement with a utility company and the utility account had been close to defaulting for some time. This arrangement had been running for around 4 months and I can see that Miss F had reduced the outstanding balance by around £100 – but still owed around £217.

As I've said above, most of Miss F's outstanding balances were held on overdrafts. And unlike loans or credit cards, there isn't a set repayment amount that she'd need to make each month to pay down the overdraft balances.

Overall, I don't think, Oodle was necessarily wrong to have thought that Miss F's credit file was so impaired that it ought to not have lent or that Miss F had a significant amount of credit commitments each month.

But like the investigator I don't think Oodle's checks went far enough. It hadn't taken steps to verify her income and I have concerns about Oodle's use of statistical data in the circumstances of this complaint. I say this because Miss F was subject to a payment arrangement that does call into question whether it was reasonable for Oodle to have relied on the statistical data it used for the affordability assessment. It also hasn't provided the exact figures it used to work out whether the loan was affordable.

Oodle's checks could've gone further simply by asking Miss F what her living costs were, asked for evidence from Miss F 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 F'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 F's credit commitments.

I accept that 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 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.

Firstly, I can see that Miss F was on benefits until shortly before the finance started, at which point she then started to receive around £450 per week in salary as well as benefits and maintenance. So, had Oodle taken some steps to build a picture of her income, I think it would've likely seen that the amount she was receiving was broadly in line with what used by Oodle for its affordability assessment.

I would also point out here that just because Miss F had been in receipt of benefits that doesn't automatically mean that Oodle ought to not have lent and it is in the circumstances fair to include any benefits or other regular credits into the account as part of Miss F's income.

While, I've thought about what Miss F says about her employment contract at the time – I'm not persuaded that a proportionate check would've identified that she was on a fixed term contract given the checks I think Oodle had to do weren't as detailed as perhaps Miss F thinks they ought to have been.

Having looked at the regular payments Miss F had, including for utilities, bills, other finance and mobile phones I've come to broadly the same figures that Miss F provided to us in response to the investigator's view. In the month the loan was approved, her living costs come to around £1,000 per month. On top of this were food as well.

But, given what Miss F's income was at around the time the loan was approved, even taking account of increased costs that Miss F says she had I'm not persuaded that even if Oodle was aware of these it would've concluded the finance agreement was unaffordable for her.

I also didn't think, given what a proportionate check would've likely shown Oodle that it would've been aware that Miss F had borrowed funds in order to help contribute towards the deposit of the finance.

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 F 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 F's complaint because had Oodle carried out proportionate checks that showed the loan to be affordable and sustainable for her.

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 F 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 F's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss F to accept or reject my decision before 14 February 2025.

Robert Walker
Ombudsman