

The complaint

Mr B complains that Oodle Financial Services Limited was irresponsible in its lending to him. He wants all interest and charges paid refunded along with 8% simple interest and any adverse information regarding this lending removed from his credit file.

Mr B is represented by a third party but for ease of reference, I have referred to Mr B throughout this decision.

What happened

Mr B was provided with a hire purchase agreement by Oodle FS in August 2020 to finance the acquisition of a car. The agreement had a 60-month term and the cash price of the car was recorded as £9,995. Mr B paid a £400 deposit and was then required to make a first payment of £309.86 followed by 58 payments of £259.86 and a final payment of £309.86. The total amount repayable was £16,091.60. Mr B said that Oodle FS failed to carry out proportionate checks before the lending was provided to ensure that it would be affordable for him.

Oodle FS issued a final response to Mr B's complaint dated 24 May 2024. It said that when Mr B applied for finance, he said he was employed with an annual gross income of £20,779 and that he was a private tenant. It carried out an affordability assessment based on information Mr B had provided and details of his other financial commitments obtained from the credit reference agencies and estimated costs for running a car and Mr B's general living expenses. It said that based on its checks the monthly repayments were affordable for Mr B. It said the agreement was voluntarily terminated on 6 March 2023 and at that time the outstanding balance was £334.58.

Mr B referred his complaint to this service.

Our investigator looked at the credit check data Oodle FS received at the time of the application and while he noted that an affordability assessment took place, as he hadn't seen the information relied on for this, he didn't find he could say whether proportionate checks had taken place. He noted that Mr B's credit data showed he had one satisfied county court judgment, two satisfied defaults and six unsatisfied defaults with the most recent prior to the application being recorded in August 2018. He noted that Mr B had eleven active accounts which were up to date. He thought that given the size and term of the lending and Mr B's previous poor credit, Oodle FS needed to get a thorough understanding of Mr B's financial circumstances including his expenses before lending.

Our investigator looked at the information contained in Mr B's bank statements for the three months leading up to the lending to understand what proportionate checks would likely have shown. He found that Mr B's income fluctuated month by month with the lowest paid being £1,207 and the highest £1,770 (three-month average was around £1,422). Mr B said he was paying £210 a week to his partner for his share of the rent. Based on the bank statements our investigator calculated Mr B's costs of his financial and other commitments including cost of fuel and food to be around £1,253 a month. He said that Mr B's average monthly disposable income was less than the amount due under the Oodle FS agreement. He further

noted Mr B's use of high cost credit at the time. Based on this our investigator thought that reasonable and proportionate checks would have shown the lending to be unaffordable for Mr B.

Oodle FS accepted our investigator's view on the 13 November 2024. The redress set out in the view was:

- Refund the deposit, adding 8% simple interest per year* from the date of payment to the date of settlement.
- Oodle FS to calculate how much Mr B had paid in total and deduct £4,991 for fair usage. If Mr B had paid more than the fair usage figure, Oodle FS was required to refund any overpayments, adding 8% simple interest per year* from the date of payment to the date of settlement.
- Remove any adverse information recorded on Mr B's credit file regarding the agreement.
- If there was any arrears after the settlement had been calculated, Oodle FS was to arrange an affordable repayment plan and treat Mr B with forbearance and due consideration.

On 22 November 2024, Oodle FS challenged whether it needed to refund the deposit. It said the deposit didn't form part of the finance agreement and was paid directly to the dealer and so it didn't charge any interest on the deposit. It said the deposit payment reduced the amount of finance required which reduced the amount of interest.

Our investigator confirmed that the deposit should be refunded. He said that as the car had been returned and the finance shouldn't have been provided, Mr B shouldn't have needed to pay the deposit. As Mr B had been without the deposit funds since he paid this, he said simple interest of 8% should be added to the deposit amount.

Oodle FS said that the view set out that as the lending shouldn't have been provided, it shouldn't be able to charge interest or charges. It said the deposit was neither interest nor a charge. It said that had the complaint been about the car not being of satisfactory quality then it would agree that the deposit should be refunded but it didn't accept that this needed to happen in an unaffordable lending complaint.

As a resolution hasn't been agreed, this complaint has been passed to me, an ombudsman, to issue 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.

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.

The 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, and the total cost of the credit.

As our investigator upheld this complaint and both parties accepted that outcome, I do not intend to go into further details regarding this. The outstanding issue is in regard to the redress, specifically whether Oodle FS is required to refund Mr B the deposit along with 8%

simple interest.

As our investigator has explained, where a business has made an error, our service would usually aim to put the consumer back in the position they would've been in had the error not occurred. However, in cases where a business has lent irresponsibly this isn't entirely possible, as the lending provided cannot be undone but, as a general position, we would not expect the business to be able to charge any interest or charges on the agreement.

When Mr B entered into the hire purchase agreement with Oodle FS, the cash price of the car was £9,995. The agreement shows Mr B paid a deposit of £400 and the dealer invoice shows this was a part exchange contribution from Mr B. I agree that this reduced the amount of credit Oodle FS then provided from £9,995 to £9,595. While Oodle FS has said that it didn't receive the deposit it was still paid by Mr B and formed part of the hire purchase agreement.

As it has been accepted that the agreement shouldn't have been provided, and the car has been returned and the agreement terminated, it is fair that Mr B is only required to pay an amount that reflects his fair usage of the car. It wouldn't be fair if Mr B also had to forgo the deposit amount he had paid as he no longer has the car.

Therefore, I find the fair resolution to this complaint is for the deposit to be repaid and as Mr B has been without the use of these funds, I agree that 8% simple interest should be added to this. Additional to this, and as set out in our investigator's view, Mr B should be refunded any amount he has paid above the fair usage amount. As has been explained, there isn't an exact formula for working out what a fair monthly repayment would be. But in deciding what's fair and reasonable I have considered the amount of interest charged on the agreement, Mr B's likely overall usage of the car and what his costs to stay mobile would likely have been if he didn't have this car. In doing so, I agree with our investigator's recommendation that the amount Mr B should pay is £161 for each month he had use of the car. This means Oodle FS can only ask him to repay a total of £4,991.

I've also considered whether Oodle FS acted unfairly or unreasonably in some other way given what Mr B has complained about, including whether its relationship with Mr B might have been unfair under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed below results in fair compensation for Mr B in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Putting things right

To settle Mr B's complaint Oodle FS should do the following:

- Refund the deposit, adding 8% simple interest per year* from the date of payment to the date of settlement.
- Calculate how much Mr B had paid in total and deduct £4,991 for fair usage. If Mr B has paid more than the fair usage figure, Oodle FS should refund any overpayments, adding 8% simple interest per year* from the date of payment to the date of settlement.
- Remove any adverse information recorded on Mr B's credit file regarding the agreement.
- If there are any arrears after the settlement has been calculated, Oodle FS should arrange an affordable repayment plan and treat Mr B with forbearance and due consideration.

*HM Revenue & Customs requires Oodle FS to take off tax from this interest. Oodle FS must

give Mr B a certificate showing how much tax it's taken off if Mr B asks for one.

My final decision

My final decision is that Oodle Financial Services Limited should take the actions set out above in resolution of this complaint.

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

Jane Archer
Ombudsman