

The complaint

Mr B complains that Oodle Financial Services (Oodle FS) Limited was irresponsible in its lending to him. He wants all interest, fees and charges he paid on the hire purchase agreement refunded along with interest and any adverse information recorded about this agreement 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 my decision.

What happened

Mr B was provided with a hire purchase agreement by Oodle FS in July 2021 to finance the acquisition of a car. Through the agreement, Mr B was provided with £13,499 of credit and was required to repay a total of £17,986. The agreement had a 60-month term with monthly repayments of £298.10 (first and final payments of £348.10). Mr B said that adequate checks weren't carried out before the finance was provided to ensure that the lending would be affordable for him.

Oodle FS issued a final response letter dated 16 May 2024 not upholding Mr B's complaint. It said that when Mr B applied for finance, he said he was self-employed with a gross annual income of £30,680 and that he was a private tenant. A credit check was undertaken. An affordability assessment took place based on Mr B's declared income, residential status, information obtained from his credit file about his existing credit commitments and third-party estimates for his cost of living and cost of running a car. It said that based on this the monthly repayments were affordable.

Mr B referred his complaint to this service.

Our investigator issued an initial view saying that she thought further checks should have taken place including gathering further evidence of Mr B's income and details of his actual expenses to ensure the lending was affordable. However, she found that had this happened the agreement would have been found to be affordable.

Mr B responded to our investigator's view. He said that the income figure used in the calculations was his business income and didn't take into account his business expenses.

Our investigator carried out a further assessment of Mr B's income and expenses and issued a second view upholding his complaint. She said that Mr B had negative disposable income and that had proportionate checks been carried out these would have shown the agreement to be unaffordable.

Oodle FS didn't accept our investigator's view. It raised concerns about the inclusion of business expenses.

Our investigator explained that Mr B rented a unit above his living quarters and paid a separate price for his business workplace. She explained that Mr B used his bank account for business and personal use and so she used his tax returns to assess his business

profits.

Oodle FS said that its lending decision was based on the information available to it at the time and Mr B had now provided a different address to where he had previously claimed to be living.

My provisional conclusions.

I issued a provisional decision on this complaint. While I agreed with our investigator's view that the complaint should be upheld I provided additional reasoning for this. The details of my provisional decision are set out below.

Before the finance was provided, Oodle FS gathered information about Mr B's employment, income and residential status and carried out a credit search. Mr B said that he was self-employed with an annual income of £30,680 and was a private tenant. The credit check didn't record any defaulted or delinquent accounts and while Mr B had historically missed the occasional payment on his active accounts, his accounts appeared to be generally well managed. That said, the credit check showed that Mr B had several credit card accounts with outstanding balances on five accounts. He had taken out two new credit card accounts around three months prior to this finance application. Mr B's total outstanding balance at the time was recorded as £4,401.

Given the term of the loan and size of the repayments and taking into consideration that Mr B was self-employed and the nature of his employment, I think it would have been proportionate for Oodle FS to have verified his income to understand any variability in this. Also, noting Mr B's existing credit commitments and that he had taken out additional credit in recent months, I think it would have been reasonable for Oodle FS to have asked further questions about Mr B's expenses to ensure it had a clear understanding of Mr B's financial situation before the lending was provided.

Mr B was self-employed and has explained that his bank statements include both his personal and business transactions and that certain receipts into his account were from customers for him to make purchases on their behalf as part of his business. He has also said that he paid his bills in cash due to concerns about not having funds available for direct debit payments. I have taken this into account alongside the information in his bank statements to understand what Oodle FS would likely have identified had further checks been carried out.

Mr B has more than one bank account. Having looked through the bank statements for one of his accounts this shows him receiving monthly benefits payments of around £857 and transferring an amount of £830 a month for his bills. Another account shows regular payments towards his existing creditors and other expenses as well as some lump sum receipts. Mr B also has a business account which payments flow through. I cannot see a regular income from Mr B's work into his account and so I have considered the amounts reported in his tax return to understand what he was likely to have available to him from his business after his costs. For the year ending 2022, Mr B's net business profit was around £5,177 which would provide an average monthly income of around £431. Taking Mr B's business income and benefits would give him total monthly income of around £1,288.

Mr B declared in his finance application that he was a private tenant. He has provided copies of monthly invoices for a flat for £1,410. This amount includes the rent, council tax, water, electricity, gas and buildings fire insurance. Oodle FS has said that the invoice is for a different address to that which Mr B provided when he applied for finance and that the address on the invoices wasn't registered with it until 2023. We have asked Mr B about this, and he has explained that when he applied for the finance, he was registered at the address

he provided and still paying council tax there. However, he had split with his partner and had moved into his own apartment in March 2021 (there was an overlap of a few months). He said the move reduced his housing costs.

As Mr B declared he was renting at the time I find it reasonable that an amount is included for this. He has provided copies of the invoices for his apartment. I note the concerns that Oodle FS has raised about these being for business premises, but Mr B has explained that he rented an apartment at the same location as his business premises, and he has provided copies of his separate invoices for the two properties. Based on this I find it reasonable to include an amount of £1,410 for Mr B's housing costs, including his utilities and council tax.

Mr B's bank statements show that he was paying substantial amounts to his credit card accounts but I think it reasonable to include an amount for his credit commitments based on the repayments required on his accounts shown in Oodle FS's credit check. While Mr B had several credit card accounts he appeared to be only using five of these and so I have calculated the repayments on the limits on these accounts. This gives repayments of around £240 a month. Adding to this Mr B's housing costs and his payments for bills as noted in his statements of £830, would give total expenses of around £2,480. As this is above the income figure I think would have been identified through further checks, I find that this agreement shouldn't have been considered affordable.

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 could have been unfair under Section 140A Consumer Credit Act 1974. However, I'm satisfied the redress I have directed above 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.

Oodle FS responded to my provisional decision. It asked for further evidence of Mr B's rental invoices and other living costs and questioned what it should have done given that Mr B had provided a different address on his application. It asked if there was evidence of Mr B making payments for his expenses. It said that it couldn't have included the cost of a property it wasn't aware Mr B lived at.

Our investigator provided Oodle FS with further invoices supplied by Mr B and explained that that even if Mr B's rent wasn't included in the affordability assessment the agreement would still be unaffordable.

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.

For the reasons I have set out in my provisional decision, I think that further checks should have taken place before the finance was provided to ensure the lending to Mr B was affordable over the agreement term. Having looked through all the evidence provided and as

set out above, I think that further checks would have shown Mr B to have a monthly net income of around £1,288.

Oodle FS has raised concern about the inclusion of the rent for the property that Mr B has said he was living at when he applied for the finance but was a different property to that which he recorded on his application. I accept that Oodle FS should be able to rely on the information provided in the application and that it can only assess information it is aware of. However, in this case I think further questions should have been asked about Mr B's expenses and it is possible that had this happened the situation with his living arrangement might have been identified. However, even if this wasn't the case, Mr B had said he was a private tenant and so I think it would have been reasonable for an amount to be included for his rent / housing costs.

As Mr B's monthly income was around £1,288, his bills £830 and his credit commitments £240 this meant that before any payments for rent or the Oodle FS agreement Mr B only had disposable income of around £218. As the payments due under the agreement were for amounts higher than this, I find, even without including an amount for rent, that the agreement shouldn't have been considered affordable.

Based on the reasons set out in my provisional decision alongside the reasons set out above, I do not find that this agreement should have been considered affordable for Mr B and therefore I am upholding this complaint.

As previously explained, 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 could have been unfair under Section 140A Consumer Credit Act 1974. However, I'm satisfied the redress I have directed above 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

As I don't think Oodle FS ought to have approved the lending, I don't think it's fair for it to be able to charge any interest or charges under the agreement. Mr B should therefore only have to pay the original cash price of the car, recorded in the agreement as £14,499.00. Anything Mr B has paid in excess of that amount should be refunded as an overpayment.

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

- Refund any payments Mr B has made in excess of £14,499.00, representing the original cash price of the car. It should add 8% simple interest per year* from the date of each overpayment to the date of settlement.
- Remove any adverse information recorded on Mr B's credit file regarding the agreement.

*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 I uphold this complaint. 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 6 February 2025.

Jane Archer
Ombudsman