

The complaint

Mr G complains that Oodle Financial Services Limited (Oodle) acted irresponsibly when they agreed to lend to him. As they didn't sufficiently check whether he could afford the repayments.

In bringing his complaint Mr G is represented by a third party. For ease of reading I will only refer to Mr G in my decision.

What happened

In March 2019 Mr G acquired a car when he entered into a hire purchase agreement with Oodle. The cash price of the car was £9,798, after paying a £100 deposit and with interest and charged applied, Mr G had to repay a total amount of £15,959. This was repayable over 60 months, with the first and final payments being £312.65, and 58 payments of £262.25. Mr G said he struggled to maintain the repayments and if Oodle had properly checked his financial situation they would have seen the lending was unaffordable for him. He complained to them.

Oodle said they'd checked Mr G's income which he'd declared was £22,000 per annum, his residential status as living with his parents, as well as checking his credit history with a credit reference agency (CRA). They said they also allowed for the running costs of the car and used statistical data from the Office for National Statistics (ONS) to determine Mr G's cost of living outgoings. Based on this information they considered the loan was affordable.

Mr G wasn't happy with Oodle's response and referred his complaint to us.

Our investigator said Oodle's checks weren't proportionate and if they'd checked further they would have seen the lending wasn't affordable for Mr G. He said to put things right Oodle should:

- Refund any payments Mr G made in excess of £9,798, the original cash price of the car. Adding 8% simple interest per year from the date of each overpayment to the date of settlement.
- Remove any adverse information recorded on Mr G's credit file regarding the agreement.

Oodle didn't agree and asked for an ombudsman to decide.

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.

Having done so I'm upholding Mr G's complaint, I'll explain why.

I've considered the relevant rules, guidance and good industry practice when someone complains about irresponsible and/or unaffordable lending. There are two overarching

questions I need to consider in order to decide what's fair and reasonable in all of the circumstances of the complaint. These are:

1. Did Oodle complete reasonable and proportionate checks to satisfy themselves that Mr G would be able to repay the credit in a sustainable way?

a. if so, did Oodle make a fair lending decision?

b. if not, would reasonable and proportionate checks have shown that Mr G could sustainably repay the borrowing?

2. Did Oodle act unfairly or unreasonably in some other way?

Regulations in place at the time Oodle lent to Mr G required them to carry out a reasonable assessment of whether he could afford to repay the loan in a sustainable manner. So, I've considered the checks Oodle did.

Before the finance was provided, Oodle explained that they carried out affordability checks before approving Mr G's application. They said Mr G had given details about his salary when making his application. CONC.52A.15(2) says:

"The firm must take reasonable steps to determine the amount, or make a reasonable estimate, of the customer's current income."

And goes on to say that it wouldn't generally be sufficient to solely rely on the declared income made by the consumer without independent evidence.

They also said Mr G's residential status was living with his parents. And they'd checked his credit commitments by reviewing his credit history.

The credit report provided by Oodle is for the address Mr G said he was living at and shows only an unsecured loan in Mr G's name as the remainder of the report is for someone else financially connected to the address.

Mr G has provided us with his own credit report. And I can see at the time of the lending Mr G had defaulted on a hire purchase agreement in October 2018, and an unsecured loan in February 2019. It also shows he was four months in arrears on a home credit account. And on occasion used short term lending by way of payday advance loans.

Oodle said they'd used statistical data to assess Mr G's cost of living outgoings which CONC allows them to do. From this they assessed Mr G had a monthly income of £1,520, credit commitments of £174 and essential household spending of £1,043. This meant Mr G would have a disposable income before factoring in the new lending of £303. Given the new lending was around £262 this would only have left Mr G with £41 in disposable income.

Having considered the checks done by Oodle I'm not satisfied they took reasonable steps to check Mr G's income as I don't think their CRA check, being a shared credit history showed any independent evidence of Mr G's income. And given how low they'd assessed Mr G's disposable income to be, I don't think the checks Oodle said they did were proportionate and reasonable.

This doesn't automatically mean Oodle shouldn't have lent to Mr G, I also need to consider whether these checks would have shown that the repayments were unaffordable for him – or in other words that he lost out because of Oodle's failure to complete proportionate checks. I can't be sure exactly what Oodle would have found out if they'd asked or what Mr G would

have told them about his financial situation. In the absence of anything else, I think it would be reasonable to place weight on the information set out in Mr G's bank statements.

Mr G has provided his bank statements for the three months prior to the agreement. This shows on average his monthly income was around £1,052, well below the £1,520 used by Oodle in their assessment. He'd credit commitments for two unsecured loans totalling £59 a week, which would equate to around £256 a month. As well as outgoings for insurance, media, communications, and short-term lending which I'd have expected to have seen on any CRA check. Over the three months his total average outgoings were around £630. Which would appear to show Mr G had £422 before factoring in the new lending, meaning he'd a disposable income of around £160. But I can also see from Mr G's bank statements that he regularly made cash withdrawals averaging around £427. And Mr G was making payments referenced "children".

Mr G told us the cash withdrawals were to support his three children and to help his wife with bills and rent. Mr G said the rent was £575. Mr G said he was in between homes and staying with his parents. I don't think its unreasonable that some of the cash withdrawals would have been used to support his family with household costs. So, I think its reasonable to take into account 50% of the case withdrawals for this. This would mean Mr G would have been left without any disposable income.

I can't know what Mr G would have told Oodle about the cash withdrawals and the payments referenced "children" if he'd been asked at the time of the lending. But the bank statements also show regular direct debits being returned. And Mr G using short term lending to manage his finances.

So taking all of the above into account I'm not satisfied the checks done by Oodle were proportionate. And if they'd checked further, they would have seen Mr G's income was considerably less than they used in their assessment. And using their own outgoings assessment would have shown Mr G couldn't afford to sustain the repayments as he wouldn't have had any disposable income.

The CRA check they considered differed from the credit report provided by Mr G as it didn't show his other credit commitments or the signs of his financial vulnerability as he was in arrears on one account and had defaulted on two others. Its also clear from his statements he'd other financial commitments to be considered as he'd dependents. So, I don't think the lending was affordable and Oodle acted unfairly and unreasonably in agreeing to lend to him.

Putting things right

Our approach in situations such as these is to put the consumer back into the position they'd have been in if the loan agreement hadn't been taken out.

The original cash price of the car was £9,798, to put things right, Mr G shouldn't have to pay any more than this. I can see from Oodle's statement of account that Mr G has settled the agreement having paid in excess of this amount.

I've also considered whether Oodle acted unfairly or unreasonably in some other way given what Mr G has complained about, including whether their relationship with him might have been viewed as unfair by a court under s.140A Consumer Credit Act 1974. But because I'm upholding Mr G's complaint already for the reasons I've explained I don't think I need to make a finding on this. And I'm satisfied the redress I have directed below results in fair compensation for Mr G 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.

My final decision

I uphold this complaint. And ask Oodle Financial Services Limited to:

- Refund Mr G any amount he'd paid in excess of the cash price of £9,798, adding *8% simple interest from date of over payment to date of settlement.
- Remove any adverse information recorded about the agreement to Mr G's credit file.

Should HM Revenue & Customs require Oodle Financial Services Limited to take off tax from this interest. Oodle Financial Services Limited must give Mr G a certificate showing how much tax they have taken off if he asks for one

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 10 March 2025.

Anne Scarr
Ombudsman