

Complaint

Mr W has complained about a loan Oakbrook Finance Limited (trading as “Finio Loans”) provided to him.

He says the loan was unaffordable given his circumstances at the time and so shouldn’t have been provided to him.

Background

Finio Loans provided Mr W with a loan for £1,500.00 in December 2023. The total amount to be repaid of £2,035.20, which included interest of £535.20, was due to be repaid in 24 monthly instalments of £84.80.

One of our investigators reviewed what Mr W and Finio Loans had told us and he didn’t think that Mr W’s complaint be upheld.

Mr W disagreed and asked for an ombudsman to look at his complaint.

My findings

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 unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Mr W’s complaint.

Having carefully considered everything, I’ve not been persuaded to uphold Mr W’s complaint. I’ll explain why that is the case in a bit more detail.

Finio Loans needed to make sure that it didn’t lend irresponsibly. In practice, what this means is Finio Loans needed to carry out proportionate checks to be able to understand whether Mr W could afford to repay before providing this loan.

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 it – 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 or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

Finio Loans says it agreed to Mr W’s application after he provided details of his monthly income and some information on his expenditure. It says it cross-checked this against information on a credit search it carried out and all of this information showed Mr W could afford to make the repayments he was committing to.

On the other hand, Mr W has said he was in financial difficulty and couldn't afford the monthly payments. So Finio Loans shouldn't have lent to him.

I've carefully thought about what Mr W and Finio Loans have said.

The first thing for me to say is that Finio Loans didn't just simply accept what Mr W had told it. It cross checked what Mr W declared for his income against information from credit reference agencies on the amount of funds going into his main bank account each month. Likely Loans also carried out credit searches which showed that Mr W's unsecured credit commitments weren't excessive in comparison to the income amount that had been validated at this time either.

Furthermore, the credit searches didn't show that Mr W had any defaulted accounts or county court judgments ("CCJ") recorded against him. Mr W does appear to have fallen into arrears on a hire-purchase agreement during the pandemic. However, brought this account back up to date by the time that he applied for this loan. As this is the case, I don't think that this was a reason not to lend to Mr W.

For the sake of completeness, I'd also add that at best, even if I were to accept that further checks were necessary, which I'm not necessarily persuaded is the case here, any such checks would only have gone as far as finding out more about Mr W's actual committed living costs. And I've not been provided with anything that clearly shows me Mr W's actual living costs were wholly out of kilter with the estimates used, or that using them, instead of the estimates, would have shown the monthly payments to be unaffordable.

Bearing in mind all of this and the fact that the information Likely Loans gathered appeared to show that Mr W had the funds to make the low monthly repayments required on this agreement, I don't think that it was unreasonable for Finio loans to lend to Mr W.

In reaching my conclusions, I've also considered whether the lending relationship between Finio Loans and Mr W might have been unfair to Mr W under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think Finio Loans irresponsibly lent to Mr W or otherwise treated him unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

So overall and having considered everything, I don't think that Finio Loans treated Mr W unfairly or unreasonably when providing him with his loan. And I'm not upholding Mr W's complaint.

I appreciate this is likely to be very disappointing for Mr W. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mr W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 21 February 2025.

Jeshen Narayanan

Ombudsman