DRN-5271790

The complaint

Mr B, through a representative, says Oakbrook Finance Limited, trading as Finio Loans, irresponsibly lent to him.

What happened

Mr B took out a loan for £1,000 over 36 months on 23 April 2024. The monthly repayments were £54.25 and the total repayable was £1,953. He says Oakbrook failed to conduct proportionate checks at that time and should have done more prior to providing the loan.

Oakbrook said it carried out affordability and credit checks and there was no evidence to suggest the loan would be unaffordable for Mr B.

Our investigator did not uphold Mr B's complaint. He said the lender's checks were proportionate and it made a fair lending decision based on the results.

Mr B disagreed and asked for an ombudsman's review. He said his full credit file shows his dependency on credit at the time, as well as problems managing the commitments he already had.

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 approach to unaffordable/irresponsible lending complaints is set out on our website and I've followed it here.

The rules and regulations when Oakbrook lent to Mr B required it to carry out a reasonable and proportionate assessment of whether he could afford to repay what he owed in a sustainable manner. This is sometimes referred to as an affordability assessment or an affordability check.

The checks also had to be borrower-focused. So Oakbrook had to think about whether repaying the credit sustainably would cause any difficulties or adverse consequences for Mr B. In other words, it wasn't enough for Oakbrook to simply think about the likelihood of it getting it money back, it had to consider the impact of the loan repayments on Mr B. Checks also had to be proportionate to the specific circumstances of each loan application. In general, what makes up a proportionate affordability check will be dependent upon a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount, type and cost of credit they have applied for.

In light of this, I think that a reasonable and proportionate check ought generally to have been more thorough:

- the lower a customer's income (reflecting that it could be more difficult to make any repayments to credit from a lower level of income);
- the higher the amount due to be repaid (reflecting that it could be more difficult to meet higher repayments from a particular level of income);
- the longer the period of time a borrower will be indebted for (reflecting the fact that the total cost of the credit is likely to be greater and the customer is required to make repayments for an extended period).

There may also be other factors which could influence how detailed a proportionate check should've been for a given application – including (but not limited to) any indications of borrower vulnerability and any foreseeable changes in future circumstances. I've kept all of this in mind when thinking about whether Oakbrook did what it needed to before agreeing to lend to Mr B. So to reach my conclusion I have considered the following questions:

- did Oakbrook complete reasonable and proportionate checks when assessing Mr B's loan application to satisfy itself that he would be able to repay the loan in a sustainable way?
- if not, what would reasonable and proportionate checks have shown?
- did Oakbrook make a fair lending decision?
- did Oakbrook act unfairly or unreasonably in some other way?

I can see Oakbrook asked for certain information before lending to Mr B. It asked for his income and verified this externally. It asked about his employment and residential status. It asked about his housing and living costs and checked these using national statistics, using the higher number each time. It added a buffer to his living costs. It carried out a credit check to understand his credit commitments and credit history. From these checks combined it concluded Mr B would have £478.78 monthly disposable income after taking on this new loan and so it was affordable.

I think these checks were proportionate given the value and term of the loan and I think Oakbrook made a fair lending decision based on the results of its checks. I'll explain why.

Mr B declared a gross annual income of £28,600 and Oakbrook successfully verified a monthly net income of £1,733.26 externally. It used national statistics and estimated his housing costs to be £323.12 and his living costs to be £629.67, to which it added a buffer of £74.07. His credit check showed his existing credit commitments were £173.37 per month - so not a concerning proportion of his net income. And nor would they rise to a significant level after taking on this loan such that I think Oakbrook needed to carry out further checks.

The lender's credit check showed Mr B had £3,490 of debt across 14 active accounts. All of his active accounts were up-to-date and had been every month for the last six months. He had not applied for any other new credit in the last six months. There was no payday loan use. There was a CCJ on his file but it was from 66 months ago and was settled. So I don't think it would have been reasonable to decline Mr B's application solely on that basis.

Mr B has highlighted entries on his full credit file that he says showed he was struggling, but I can only fairly expect Oakbrook to respond to the data its credit check returned. And there were no signs of financial strain. A lender will not automatically see all the same information as a consumer for a number of reasons – there can be timing lags and not all lenders report to all the agencies.

In the round, based on its proportionate checks, I think it was fair for Oakbrook to conclude that Mr B wasn't struggling financially and had the disposable income needed to sustainably repay this loan.

I’ve also considered whether the relationship might have been unfair under Section140A of the Consumer Credit Act 1974. However, for the reasons I’ve already given, I don’t think Oakbrook lent irresponsibly to Mr B or otherwise treated him 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.

In summary, I don’t think Oakbrook was wrong to lend to Mr B.

My final decision

I am not upholding Mr B’s complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr B to accept or reject my decision before 4 March 2025.

Rebecca Connelley
Ombudsman