

The complaint

Mr R complains that Oodle Financial Services Limited trading as Oodle Car Finance (Oodle) acted irresponsibly by lending to him.

What happened

In late May 2022 Mr R acquired a car when he entered into a hire purchase agreement with Oodle. The cash price of the car was £19,998. After interest and charges were applied the total amount repayable was £30,338.80. This was repayable over 60 monthly instalments of £503.98. Mr R said he struggled with the repayments and said Oodle hadn't properly checked whether he could afford to sustain the repayments as they didn't verify his income or ask about his outgoings. He complained to Oodle.

Oodle said they'd carried out proportionate checks to make sure the lending was affordable for Mr R. They said they'd checked Mr R's credit file which showed all his active accounts were being managed well. Oodle said they'd assessed Mr R's affordability by considering his declared income against his credit commitments and used statistical data for cost of living and car running costs. They said that this showed Mr R had sufficient disposable income to sustain the monthly repayments and so they'd agreed to lend to him.

Mr R wasn't happy with Oodle's response. He said the information Oodle used was incorrect as his income was lower than they'd assessed. There were other discrepancies as they had his age incorrect. Mr R also said Oodle hadn't supported him when he'd told them he'd financial difficulties. And they'd told him he owed more than he did.

Our investigator said given the amount Mr R was borrowing and the time he would be indebted Oodle should have done more to establish Mr R's financial situation. After reviewing Mr R's bank statements she was satisfied the lending was affordable. But said Oodle had caused Mr R distress and inconvenience as a result of administrative errors and asked them to pay Mr R £200 to compensate him for this.

Oodle agreed to pay Mr R and said he'd since ended the agreement. Mr R didn't agree with our investigators outcome 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.

I appreciate Mr R will be disappointed by my decision but having done so I'm only partially upholding his complaint. I'll explain why.

The rules that apply to credit agreements are set out in the consumer credit sourcebook (CONC) of the Financial Conduct Authority's handbook. Section 5.2A of CONC is relevant guidance as it covers the need for businesses like Oodle to complete reasonable and proportionate creditworthiness assessments before agreeing to lend.

So, in reaching my decision I need to consider:

1. Did Oodle complete reasonable and proportionate checks to satisfy themselves that Mr R would be able to sustainably repay the borrowing?

a. If they did, was the decision to then lend to Mr R fair?

b. If they didn't, would reasonable and proportionate checks have shown that Mr R could sustainably repay the borrowing?

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

The affordability checks should be "borrower-focused", meaning Oodle need to think about whether repaying the loan sustainably would cause difficulties or adverse consequences for Mr R. In other words, it wasn't enough for Oodle to think only about the likelihood that they would get their money back without considering the impact of repayment on Mr R himself.

There's no set list for what reasonable and proportionate checks are. But I'd expect lenders to consider the specific circumstances of the loan application. What constitutes a proportionate affordability check will generally depend on several factors such as the specific circumstances of the borrower, their financial history, current situation and whether there are any indications of vulnerability or financial difficulty.

Oodle said they'd made their assessment based on Mr R's income. And that they'd checked his credit file and used statistical data from an official source to assess cost of living and car running costs. Oodle said based on this information the monthly repayment of £503.98 was affordable for him.

Whether or not these checks were proportionate depends on various factors, including the size and length of the loan, the cost of credit, and what Oodle found. The total amount repayable for the loan was over £30,000 and Mr R would be indebted for five years - so I think the checks needed to be thorough.

CONC allows firms to use statistical data in their affordability assessments unless they have reason to suspect that a customer's non-discretionary expenditure is significantly higher than that described in the data.

I haven't been shown the data Oodle based their assessment on and given Mr R at the time of the lending had six credit cards, a mail order account, two current accounts, one with an overdraft facility of £750, a hire purchase agreement, communications account and he was a private tenant with rent of £1,250. I think he'd a high level of indebtedness. So, I'm not satisfied Oodle did proportionate checks - I think they should have done more to understand Mr R's financial situation especially given the amount he was borrowing, and the time Mr R would be indebted for.

This doesn't automatically mean Oodle shouldn't have lent to Mr R as I need to consider

whether further checks would have shown that the repayments were unaffordable to him - or in other words that he lost out because of Oodles's failure to complete proportionate checks.

I've looked at statements for both Mr R's personal bank account and his joint bank account for the three months leading up to his application to Oodle. I'm not saying Oodle needed to look at Mr R's bank statements, but they provide a good indication of Mr R's income and expenditure at the time the lending decision was made.

I can see from Mr R's personal account that his salary averaged across the three months was around £2,429. I can see from this account that Mr R also paid his credit card commitments. From his credit file I can see at the time of the lending he'd credit limits for his credit cards totalling £3,550 which would require a monthly repayment (if fully utilised) of around £180 a month. I can see across the three months Mr R made repayments of around £2,700 towards these. Mr R was also paying £285.45 a month towards a hire purchase agreement, car insurance of around £104, a dental plan of around £21, and a mail order account of around £25 a month. I can also see Mr R had other credits paid into his account.

Mr R's regular financial commitments for his rent, utilities, council tax, food, petrol, insurance, media, and communications were taken from his joint bank account. And he has told us that he paid 50% towards these. As monies into this account was jointly used to cover bills I've also considered other income paid into the joint account as CONC 5.2a.12(b) says a lender can consider:

"income from savings or assets jointly held by the customer with another person, income received by the customer jointly with another person or income received by another person in so far as it is reasonable to expect such income to be available to the customer to make repayments under the agreement; "

After considering all the information it shows that when Mr R's committed regular living expenses and existing credit commitments were deducted (including the high amounts repaid on his credit cards) from his monthly income inclusive of that from his joint bank account, I'm satisfied he did have the funds, at the time he entered into the agreement to sustainably make the repayments due under this agreement.

Mr R has said he was gambling at the time of the lending, and this should have been seen by Oodle. But I can't agree as I haven't seen any signs of compulsive gambling being evident on either of Mr R's bank accounts. There aren't any specific gambling transactions, no missed direct debits and both accounts were in credit with neither utilising any overdraft facility. And Mr R has shown us that his gambling account was closed in April 2022 prior to the lending.

Taking all the above into account I don't think Oodle has made an unfair lending decision as I don't think any further checks would have shown that Mr R had insufficient disposable income to sustain his repayments. When Mr R first spoke to Oodle about his financial difficulties it followed the breakdown of his relationship. So, I think it's more likely the lending became unaffordable for Mr R because of a change in his circumstances rather than being unaffordable at the time of the lending.

I appreciate that this will be disappointing for Mr R. I hope he'll understand the reasons for my decision and at least consider that his concerns have been listened to.

CONC 7.3 says a lender should treat a borrower with forbearance and consideration should they experience financial difficulty. And outlines the actions a lender needs to consider. I can see that Oodle agreed to pause monthly payments and arranged payment plans. They also provided Mr R with the options he'd for exiting the agreement including voluntary termination, voluntary surrender, as well as part exchange which I can see is the option Mr R has taken and the agreement has been settled. So, I can't say Oodle have acted unfairly in their actions with Mr R.

But I agree with our investigator Mr R has been caused distress and inconvenience through administrative errors including being provided with an inaccurate arrears figure which showed Mr R owed more than he did. And there were delays in handing Mr R's requests for information. I think £200 to compensate Mr R for this is fair and reasonable.

I've also considered whether Oodle acted unfairly or unreasonably in some other way given what Mr R has complained about, including their relationship with him might have been viewed as unfair by a court under s140A Consumer Credit Act 1974. But I'm satisfied the redress I've directed results in fair compensation for Mr R 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 partially uphold this complaint. And ask Oodle Financial Services Limited to:

- pay Mr R £200 (if they haven't already done so) to compensate him for distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 7 May 2025.

Anne Scarr
Ombudsman