

The complaint

Mr D complains that Oodle Finance Services Limited lent to him irresponsibly and without carrying out proper affordability checks.

What happened

In February 2023 Oodle approved a hire purchase agreement for Mr D to enable him to buy a car. It lent him £13,477, which was scheduled to be repaid at just over £390 per month over 5 years. When assessing the application, Oodle asked Mr D questions about his financial and employment circumstances; estimated some of his outgoings; and conducted a credit check before approving the lending.

The investigator looked at the evidence and thought that Oodle's checks didn't go far enough, but that if it had carried out proportionate checks, it could still have concluded that this borrowing was affordable and sustainable for Mr D. So he didn't uphold the complaint. Mr D disagreed, and said that Oodle should never have lent to someone with as poor a credit rating as him, and so asked an Ombudsman to look at his case.

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 not upholding it, broadly for the same reasons as the investigator. However, I would like to say that I consider this case to be particularly finely balanced.

My starting point in reaching my decision is to first look at what information Oodle had when considering Mr D's application. Then I need to consider what information it *should* have gathered, given what it knew about Mr D and his circumstances. And, if I think it should have done more checks than it did, I'll set out what I think those checks would likely have showed and how they should have influenced the lending decision.

Oodle is aware of its obligations under the rules and regulations in place at the time of this lending decision, including the Consumer Credit Sourcebook ("CONC"), so I won't repeat them here. But, briefly, it was required to carry out sufficient checks to ensure that Mr D would be able to repay the borrowing applied for in a sustainable way. As set out in CONC 5.3.1G(2) that means that he could manage the repayments,

"...without...incurring financial difficulties or experiencing significant adverse consequences"

The regulations required potential lenders to carry out "proportionate checks" to determine whether lending would be affordable, and prescribed nothing more – so the exact nature and depth of checks that need to be carried out in order to be proportionate vary from lending decision to lending decision.

However, in common with the investigator, I don't think Oodle did carry out proportionate

checks in this instance. In fact, it doesn't appear that Oodle has disputed that. In brief, I think the concerns around Mr D's credit history were enough to mean that it needed to look into his income and expenditure in far more detail.

But also in common with the investigator, I ultimately think that further checks would not have resulted in Oodle making a different lending decision. I have reached that conclusion having had the benefit of several months of bank statements. Oodle would not have had to obtain those in order to complete a proportionate affordability assessment, but I am happy to rely on the information they contain to reach my conclusions.

Mr D insists that nobody should have lent to him, as a result of his credit history. However, it is his credit history that leads me to conclude that Oodle ought to have carried out further checks – not that it should have automatically declined his application.

He also says that he didn't have enough disposable income to make this borrowing affordable for him, and therefore responsible lending on Oodle's part. Indeed, the question of how much disposable income Mr D had has been the focus of much of the investigation in this complaint. Overall, it seems that the parties accept that Mr D had nearly £800 of disposable income per month, from which to make the repayment of just over £390.

Mr D thinks that's not enough disposable income. I don't agree. Disposable income essentially means money that Mr D can choose to spend in a number of ways, after all his essential spending has already been accounted for. So on a pounds and pence basis, I am satisfied that these figures add up and it would have been reasonable for Oodle to conclude that he had sufficient disposable income to make this repayment, and still have some left over for unexpected demands.

However, I have thought very carefully about the extent to which Mr D was reliant on his overdraft, when deciding the fair answer to this complaint. Overdrafts are, of course, borrowing. And the rules required Oodle to be satisfied that Mr D would not have to borrow elsewhere in order to make the repayments required to it.

Based on the evidence available to me, it seems that Mr D used his overdraft facility every month. However, this was not to a particularly large extent, relative to his income, and he was not permanently overdrawn and had a healthy credit balance at times.

Oodle has also raised the issue of what Mr D was spending his money on, and how much of it was discretionary spending. This is a fair point. There is a difference between an individual having to use an overdraft in order to pay priority bills and someone who chooses to use an overdraft for additional, discretionary, spending.

In this instance, the spending shown suggests the latter. I can see that Mr D spent large amounts of money on entertainment and leisure in the months leading up to this borrowing. So, I don't think he was reliant on an overdraft in order to survive, and I do think he had true disposable income – rather than a hypothetical amount that was simply borrowed via the overdraft.

This all leads me to conclude that, had Oodle carried out proportionate checks when assessing this application, it would have been fair and reasonable of it to have concluded that Mr D had genuine disposable income, which he could have chosen to spend on this repayment. And so, it would have been reasonable for it to conclude that the lending would be affordable and sustainable for him. It therefore follows that I don't uphold this complaint.

My final decision

For the reasons I've explained above, I don't uphold this complaint and Oodle doesn't need to do anything.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 8 April 2025.

Siobhan McBride
Ombudsman