DRN-5351063

The complaint

Miss H says Oakbrook Finance Limited irresponsibly lent to her.

What happened

Miss H took out two instalments loans from Oakbrook. In October 2018 she took out a £5,000 loan (loan 1) over 24 months. The monthly repayments were £327.64 and the total repayable was £7,863.36. In March 2023 she took out another £5,000 loan (loan 2) over 24 months. The monthly repayments were £305.01 and the total repayable was £7,368.

Miss H says she should not have been approved for either loan. Her financial situation was precarious. The lending exacerbated her financial difficulties, forcing her to rely on payday lenders, increase her credit card debt, and take additional loans to meet basic living expenses. This has caused her significant stress and anxiety.

Oakbrook says it completed adequate checks that showed both loans would be affordable for Miss H.

Our investigator did not uphold Miss H's complaint. He found the lender's checks were proportionate and showed Miss H could afford to sustainably repay the loans.

Miss H disagreed with this assessment and asked for an ombudsman's review. She said her income was less than Oakbrook used in its affordability assessment, she did not have the disposable income the lender says. She has seen no evidence it verified her employment. The loans drove her into a cycle of debt. She thinks Oakbrook's checks were not proportionate – it was not okay to rely on ONS data and her declaration of income.

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 Miss H required it to carry out a reasonable and proportionate assessment of whether she could afford to repay what she 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 Miss H. 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 Miss H. 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 Miss H. So to reach my conclusion I have considered the following questions:

- did Oakbrook complete reasonable and proportionate checks when assessing Miss H's loan applications to satisfy itself that she would be able to repay the loans in a sustainable way?
- if not, what would reasonable and proportionate checks have shown?
- did Oakbrook make fair lending decisions?
- did Oakbrook act unfairly or unreasonably in some other way?

I can see Oakbrook asked for certain information before lending to Miss H. It asked for her income and verified this externally. It asked about her employment and residential status and for loan 2 her housing costs. It checked/estimated her housing and living costs using national statistics. For loan 2 it added an inflation buffer to her living costs. It carried out credit checks to understand her credit commitments and credit history. It asked about the purpose of loan 1 which was debt consolidation. From these checks combined it concluded Miss H would have £635.51 monthly disposable income after taking on loan 1 and £1,124.44 after taking on loan 2 and so they were affordable.

I think these checks were proportionate given the value and term of the loans and the results of the initial checks. And I think Oakbrook made fair lending decisions based on the results of its checks. I'll explain why.

Loan 1

Miss H declared an annual income of £25,000 which gave a net monthly income of £1,698.41. Oakbrook was able to verify this using a current account turnover tool from one of the credit reference agencies. Based on ONS data her housing and living expenses were £601.27. The credit check showed she had £127 of existing credit commitments. So it was reasonable to conclude the loan was affordable on a pounds and pence basis.
The credit check showed no adverse data – there were no recent arrears or CCJs/defaults in registered in the last 36 months. Miss H's overall debt level was low at £2,536, she had a debt-to-income ratio of just over 10%. There was no record she had used payday loans. So there were no signs of financial strain to prompt Oakbrook to carry out a fuller financial review.

It follows I don't think Oakbrook was wrong to give loan 1 to Miss H.

Loan 2

Miss H declared an annual income of £45,000 which gave a net monthly income of £2,855.18. Oakbrook was able to verify this using a current account turnover tool from one of the credit reference agencies. Based on Miss H's declared housing costs and ONS data her housing and living expenses (including the buffer) were £1,152.97. The credit check showed she had £272.76 of existing credit commitments. So again it was reasonable to conclude the loan was affordable on a pounds and pence basis.

The credit check showed there were no recent arrears or CCJs registered in the last 36 months. She did have defaulted debts of £2,592, but the most recent default was 16 months ago so it was reasonable for Oakbrook to conclude her financial position had since stabilised. She was not using any overdraft facility on her current accounts. And she had not used payday loans for 40 months. Her overall debt level was low at £2,573, she now had a debt-to-income ratio of just 6%. So again I don't think Oakbrook needed to carry out a fuller financial review.

It follows I don't think Oakbrook was wrong to give Miss H loan 2.

Miss H argues that her finances were precarious. My findings do not mean I doubt her testimony. But I don't think it would have been proportionate given the nature of this lending for Oakbrook to carry out the level of financial review needed to possibly discover this.

I understand loan 1 has been repaid in full. If there remains an outstanding balance on loan 2 I would urge Miss H to contact Oakbrook. I would remind Oakbrook of its obligation to treat Miss H fairly, and with forbearance, if the parties need to agree an affordable repayment plan.

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 Miss H or otherwise treated her 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.

My final decision

I am not upholding Miss H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 4 April 2025.

Rebecca Connelley
Ombudsman