

The complaint

Ms Z complains that Oakbrook Finance Limited trading as Finio loans lent to her irresponsibly.

What happened

In February 2024, Finio gave Ms Z a loan of £3,500 repayable over 36 months with an interest rate of 44.8%. The monthly payment was £163.18.

Ms Z complains that Finio did not properly assess whether she could afford the loan and did not take into account her existing financial commitments and difficulties. She said the loan far exceeded what she could afford to repay. Ms Z also said that Finio did not properly explain the terms of the loan and that she was pressured to accepting it without being given sufficient time or information to make an informed decision.

The investigator thought that the checks Finio carried out were proportionate and reasonable, and that its decision to lend was fair.

Ms Z did not accept what the investigator said.

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'm required to take into account the relevant law, rules, regulations and codes of practice when determining what I consider to be fair and reasonable in the individual circumstances of this complaint.

Lenders have a duty to make sure they do not lend irresponsibly. In practice, that meant they should carry out reasonable and proportionate checks to understand whether Ms Z could afford to repay before approving the loan.

What is reasonable and proportionate will depend on the individual circumstances. For example, it might be 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.

On the other hand, we might think a lender needs to do more if, for example, a borrower's income was low, the amount lent was high or if the information the lender had indicated financial difficulty. 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 borrower irresponsibly.

Finio told us that it that when Ms Z applied for the loan it carried out a credit check, verified her income, undertook an affordability assessment and performed a credit scoring exercise. There was no adverse information within the last 36 months on her credit file – and looking at the amount she was borrowing and what Finio knew or reasonably should have known about her circumstances, the checks were proportionate and reasonable. I don't agree that

there was evidence of financial difficulty or distress.

I appreciate that Ms Z considers that if Finio had carried out different or more thorough checks, different information, such as asking for bank statements, it would have shown the loan was unaffordable. But as I've explained, while Finio was required to assess Ms Z's creditworthiness, what were reasonable checks would depend on what it knew – or ought to have known – about Ms Z's circumstances.

I note that Finio relied to some extent on Ms Z providing truthful and accurate information about what her outgoings were, including childcare and housing costs. None of the information Finio had or ought to have checked gave it any reason to consider that her expenditure was higher than she had declared or to doubt what Ms Z had told it. Based on the information it had, I can't see any reason why Finio should have thought that more detailed checks were needed.

Finio said it used the net monthly income shown of £2,838 on Ms Z's payslip as her income. I think that was reasonable and was supported by the year-to-date figure on the payslip.

For expenditure, Ms Z declared £300 for housing costs. But Finio used the lower figure of £194. It said that was the figure showing on Ms Z's credit file that he paid to his mortgage. In those circumstances, I would usually expect a lender to question the discrepancy or use the higher of the two figures. And it is not clear how Finio arrived at the figure of £194.

Ms Z told Finio that she spent £1,000 for day-to-day living costs. Finio said that was supported by data from the Office for National Statistics. That is a reasonable way for it to assess the likelihood that the declared expenditure was accurate. Finio used the information from Ms Z's credit file that showed she had credit commitments totalling £325.61. And it added a further amount of £111.37 to account for inflation over the course of the loan.

The total expenditure used by Finio to assess affordability was £1,682.79. But I consider it should have used the higher figure for housing costs – making the expenditure, £1,788.79 against income of £2,838. That means it would have been reasonable for Finio to consider that the loan was affordable for Ms Z even using the higher figure.

I don't agree that Finio had any reason to think that Ms Z's debt to income ratio was 85%. The information it had showed that Ms Z had total unsecured debt of around 24%. That was reasonable based on the information it had. I don't consider the information on Ms Z's credit file at the time of application that Finio had – or indeed any of the other information it had – would lead a responsible lender acting reasonably to conclude that Ms Z was in financial difficulty. All Ms Z's payments were up to date and there was not an excessive amount or utilisation of credit bearing in mind her verified income.

None of the information that Finio had would reasonably have led any lender to conclude that Ms Z was experiencing vulnerable circumstances.

Ms Z has not put forward any evidence to support that she was pressured into taking the loan. I accept that she might have been desperate because of her financial situation. But I've already found that Finio had no reason to think that she was in financial difficulty at the time of taking the loan. I'm satisfied the terms of the loan were set out in a clear, fair and not misleading way – and included a right of withdrawal.

I've found that Finio carried out reasonable and proportionate checks before it gave Ms Z this loan. And the decision to lend to her was fair and reasonable based on the information Finio had. Bearing that in mind, I don't consider that the lending decision created an unfair relationship under Section 140A of the Consumer Credit Act 1974.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms Z to accept or reject my decision before 1 May 2025.

Ken Rose
Ombudsman