

## **The complaint**

Mrs S complains that Oodle Financial Services Limited trading as Oodle Car Finance (Oodle FS) was irresponsible in its lending to her. She wants to be able to return the car and have her payments refunded and any adverse information removed from her credit file.

Mrs S is represented by a family member but for ease of reference I have referred to Mrs S throughout this decision.

## **What happened**

Mrs S was provided with a hire purchase agreement by Oodle FS in November 2023, to finance the acquisition of a car. The agreement had a term of 60 months and a total amount repayable of £31,042. Mrs S was required to make a first repayment of around £566 followed by 58 monthly repayments of around £516 and a final repayment of around £566.

Mrs S said that when the first payment was taken from her account this was £100 more than she had expected. She said the payments were unaffordable and would put her in financial hardship. She said that when she contacted Oodle FS about this the options given weren't suitable and that the car had been overvalued meaning she couldn't repay the balance due. She also said the interest rate was very high and that payments were taken from her account before the first payment was said to be due (April 2024).

Mrs S said that she decided to unwind the agreement but was told to contact the dealership. She struggled getting any response from the dealership and was then told she would need to wait until 5 January 2024, when the boss was back from holiday to do this. Mrs S said that the dealership did agree to unwinding the agreement but when she attempted to return the car the dealership had closed. Mrs S contacted Oodle FS as she then realised it could unwind the agreement.

Oodle FS responded to Mrs S's complaint about irresponsible lending. It explained that when Mrs S made her application, she said she was employed with an annual income of £42,000 and was a tenant. It said it carried out a credit search and undertook an affordability assessment based on Mrs S's declared income, residential status, financial commitments identified through the credit search and estimates for the cost of running the car and general living expenses based on third party data. It said that its checks suggested that the agreement was affordable and that Mrs S was provided with the pre-contract credit information document which set out the total amount payable, interest rate and payments required under the agreement.

Oodle FS said that it undertook reasonable checks before the agreement was provided and it hadn't seen anything to suggest the agreement was unaffordable or unsustainable for Mrs S. Therefore, it didn't uphold this complaint.

Mrs S referred her complaint to this service.

Our investigator noted the checks that Oodle FS had carried out before providing the finance and thought that further checks should have happened, such as verifying Mrs S's income

and gathering further details about her essential expenditure. Because of this he didn't think that proportionate checks took place.

Our investigator then assessed what Oodle FS would likely have identified had proportionate checks taken place. He looked at the information contained in Mrs S's bank statements for the three months leading up to the finance being provided. He found that Mrs S's average monthly income for the period was around £4,091 and her average costs for her mortgages, council tax, utilities, communications contracts, other credit commitments, car-related costs and food were around £3,250. Based on this he found the agreement appeared affordable.

Our investigator also considered the comments Mrs S had made about Oodle FS not unwinding the agreement and her comment about the repayments being higher than she had agreed. While he acknowledged Mrs S's testimony about not receiving paperwork at the time and being rushed at the dealership, he noted that the credit agreement included the repayment amounts and this had been electronically signed and emailed to Mrs S. Therefore, he found she did have the information she needed to be aware of the repayments at that time. Our investigator noted the comment about Mrs S wishing to withdraw from the agreement but said this needed to happen within the first 15 days of receiving the agreement.

Based on the above, our investigator didn't uphold this complaint. He noted that Mrs S had experienced health issues and been unable to work, and that she had informed Oodle FS about this. He said that Oodle FS should treat Mrs S with forbearance and due consideration.

Mrs S didn't agree with our investigator's view. She provided further details of her income and expenses and said that her bank statements showed she had several loans and credit agreements outstanding. She said she was behind on her gas and electricity bills and was borrowing from family. She provided details of the costs of running her business and noted that additional to these she needed to pay tax. She said that adequate income and expenditure checks would have shown she didn't have a monthly surplus.

Regarding the agreement, Mrs S said she wouldn't have agreed to the payments had she been aware of these. She said that she became ill the day after entering into the agreement and was rushed to hospital. Otherwise, she would have realised something was wrong much sooner. She said that given her health issues she wasn't able to exit the agreement within the cooling off period as she was recovering from an operation.

Mrs S said that the car was overvalued, and the cost of the finance high compared to other finance providers.

Our investigator responded to the comments Mrs S had made but as these didn't change his view this case was passed to me, an ombudsman, to issue a decision.

### *My provisional conclusions*

I issued a provisional decision upholding this complaint, the details of which are set out below.

*Mrs S was provided with a hire purchase agreement in November 2023, with a 60 month term and monthly payments of around £516 (first and final payments were around £566). Before the finance was provided, Oodle FS gathered information about Mrs S's employment, income and residential status and carried out a credit search. Mrs S said she was employed with an annual gross income of £42,000 and was a homeowner. Oodle FS has provided copies of credit searches with two credit reference agencies. These showed that Mrs S had*

14 active accounts and while she was generally managing her commitments well there were some missed payments and suggestions of previous issues.

The credit reports showed that Mrs S was making substantial repayments towards her existing credit commitments and given the amount and term of the finance being provided and the repayments required, I think that further checks were needed to ensure that the lending would be affordable for Mrs S. In this case I think it proportionate that Oodle FS would have verified Mrs S's income and gathered further details about her committed expenditure.

As I don't think proportionate checks were undertaken, I have considered the additional information that has been provided (in this case Mrs S's bank statements and other testimonies) to understand what further questions would likely have identified. Mrs S worked at a salon and her statements show her receiving payments from individuals and also through a business finance platform whereby she had taken out a loan and then received payments from clients less an amount to repay the loan. Additional to this she received a rental income for a chair. Given the nature of Mrs S's employment her income varied and given the duration of the agreement, I would have expected Oodle FS to have factored in this variability. However, taking an average of the income figures gave a monthly income of around £3,800.

Mrs S also received a regular payment for rental on a property however this was offset by the mortgage payments she made for the property, so I haven't included either the rent or the mortgage repayments.

Mrs S had regular expenses for her mortgage (separate to the rental property mortgage), other credit commitments, utilities, communications contracts, insurance and rent for the salon. These costs averaged around £3,050.

This is a complex case due to the account statements including both Mrs S's business and personal income and expenses, but I think that further checks would likely have found that deducting her total expenses from her total income would only leave around £750 disposable income a month before the Oodle FS repayments. Deducting the Oodle FS repayments of around £516, would leave Mrs S with around £234 for her general living costs such as food and fuel and any additional costs or unforeseen expenses. I do not find that this amount was sufficient to be able to say the agreement would be sustainably affordable for her over the loan term.

As I think further checks would have shown the lending not to be sustainably affordable for Mrs S, I intend to uphold this complaint. I note the other issues Mrs S has raised about the action taken when she asked to unwind the agreement and information provided by the dealership about the repayments, but I can only hold Oodle FS responsible for the information it gave and the service it provided, not the service provided by the dealer. While I note the comment about Oodle FS being able to unwind the agreement, given Mrs S contacted it after the 14 day withdrawal period it wasn't required to allow Mrs S to exit the agreement at that time.

I've also considered whether Oodle FS acted unfairly or unreasonably in some other way given what Mrs S has complained about, including whether its relationship with her might have been viewed as unfair by a court under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed below results in fair compensation for Mrs S in the circumstances of this complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Mrs S accepted my provisional decision and asked that a suitable time be arranged for the collection of the car.

Oodle FS responded to my provisional decision. It asked to be sent copies of the bank statements that had been relied on. It said it considered the level of disposable income available to Mrs S to be sufficient to say the agreement was affordable.

### **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 general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

I have considered the comments Oodle FS has made in response to my provisional decision but these haven't changed my conclusion that this complaint should be upheld.

As I set out in my provisional decision, given the size and term of the loan, the size of the monthly repayments and noting that Mrs S was making substantial repayments towards her existing credit commitments, I think that it would have been proportionate in this case for Oodle FS to have verified Mrs S's income and gathered further details about her committed expenditure before lending.

I looked through Mrs S's bank statements to understand what further checks would have shown. These statements were sent to Oodle FS for their consideration. Based on the statements and other information available, I calculated Mrs S's average monthly disposable income to be around £234. While I note Oodle FS's comment about the amount of disposable income, the costs included in the calculation were only Mrs S's expenses for costs such as her mortgage, credit commitments, communications/media contracts and rent. The costs didn't include Mrs S's general living costs or costs of running a car. If these had been taken into account Mrs S wouldn't have had sufficient income to meet the repayments due under the agreement. Also noting that Mrs S's income varied due to her being self-employed and considering the size of the repayments and the term over which these needed to be maintained, I think that a reasonable buffer would be needed to ensure the lending was affordable for Mrs S over the loan term.

In this case, for the reasons I have set out above, I think that proportionate checks would have raised concerns that the agreement wasn't sustainably affordable for Mrs S and so I am upholding this complaint.

### **Putting things right**

As I don't think Oodle FS ought to have approved the lending, I don't think it's fair for it to be able to charge any interest or charges under the agreement. But Mrs S has had use of the vehicle for around 14 months, so I think it's fair she pays for that use. I'm not persuaded that the monthly repayments of £515.70 is a fair reflection of what fair usage would be. This is because a significant proportion of those repayments went towards repaying interest.

There isn't an exact formula for working out what a fair monthly repayment would be to reflect Mrs S's usage. But in deciding what's fair and reasonable, I've thought about the amount of interest charged on the agreement, Mrs S's likely overall usage of the car, and what her costs to stay mobile would likely have been if she didn't have the car. In doing so, I think a fair amount for Mrs S to pay is £333 per month for each month she had use of the car. As Mrs S has had use of the car for around 14 months, this means Oodle FS can only ask her to repay a total of £4,662.

So, to settle Mrs S's complaint, Oodle FS should do the following: -

- End the agreement with nothing further to pay and arrange a suitable time for the collection of the vehicle at no cost to Mrs S. As Mrs S didn't pay a deposit there is no refund amount due for this.
- Calculate how much Mrs S has paid in total and retain up to £4,662 to reflect fair usage. If Mrs S has paid more than the fair usage figure, Oodle FS should refund any overpayments, adding 8% simple interest per year\* from the date of payment to the date of settlement.
- Remove any adverse information related to the agreement recorded on Mrs S's credit file.
- If there are any arrears after the settlement has been calculated, Oodle FS should arrange an affordable repayment plan and treat Mrs S with forbearance and due consideration.

\*HM Revenue & Customs requires Oodle FS to take off tax from this interest. Oodle FS must give Mrs S a certificate showing how much tax it's taken off if she asks for one.

### **My final decision**

My final decision is that I uphold this complaint. Oodle Financial Services Limited trading as Oodle Car Finance should take the actions set out above in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 26 March 2025.

Jane Archer  
**Ombudsman**