DRN-5375264

The complaint

Mr F, through a representative, says Oakbrook Finance Limited, trading as Likely Loans, irresponsibly lent to him.

What happened

Mr F took out a 24-month instalment loan for £1,000 from Likely Loans on 30 March 2024. The monthly repayments were £61.46 and the total repayable was £1,475.04.

Mr F says Likely Loans failed to conduct proportionate checks and could have done more prior to lending.

Our investigator didn't uphold Mr F's complaint. She said the lender's checks were proportionate and Likely Loans made a fair lending decision based on the results.

Mr F disagreed and asked for an ombudsman's review. He said Likely Loans ought to have done more and looked at his actual incomings and outgoings given its checks showed he would be left with only £100 disposable income each month.

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.

We've set out our general approach to complaints about unaffordable/irresponsible lending - including all of the relevant rules, guidance and good industry practice - on our website.

Having carefully thought about everything, I think that there are two overarching questions that I need to answer in order to fairly and reasonably decide Mr F's complaint. These two questions are:

1. Did Likely Loans complete reasonable and proportionate checks to satisfy itself that Mr F would be able to repay the loan in a sustainable way without experiencing significant adverse consequences?

    - If so, did it make a fair lending decision?
    - If not, would those checks have shown that Mr F would've been able to do so?

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

The rules and regulations in place required Likely Loans to carry out a reasonable and proportionate assessment of Mr F's ability to make the repayments under this agreement. This assessment is sometimes referred to as an affordability assessment or affordability check.

The checks had to be borrower focused – so Likely Loans had to think about whether repaying the loan would cause significant adverse consequences for Mr F. In practice this meant that business had to ensure that making the payments to the loan wouldn't cause Mr F undue difficulty. In other words, it wasn't enough for Likely Loans to simply think about the likelihood of it getting its money back, it had to consider the impact of the loan repayments on Mr F.

Checks also had to be proportionate to the specific circumstances of the loan application. In general, what constitutes 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/cost of credit they are seeking. Even for the same customer, a proportionate check could look different for different applications.

In light of this, I think that a reasonable and proportionate check ought generally to have been more thorough:

- the lower a consumer's income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- the higher the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the greater the number and frequency of loans, and the longer the period of time during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mr F's complaint.

Likely Loans has provided evidence to show that before lending it asked for some information from Mr F. It asked for his gross annual income (£28,600) and monthly housing costs (£300). It completed an income verification check and from this used a net monthly income figure of £1,516.It estimated his monthly outgoings (£520.15) using national statistics. It carried out a credit check to understand his credit history and his existing monthly credit commitments (£459.92). It added a buffer of £74.07 to his total costs. It asked about the purpose of the loan which was debt consolidation. Based on these checks Likely Loans thought it was fair to lend as after taking into account this new loan repayment Mr F would have disposable income each month of £100.61.

I think these checks were proportionate given the term and value of the loan and the monthly repayments in relation to Mr F's income, and that Likely Loans made a fair lending decision based on the information it gathered. I'll explain why.

Likely Loans checks showed the loan would be affordable on a pounds and pence basis and that it was unlikely to cause Mr F any financial harm. The credit check showed Mr F had £9,992 of active debt that was being well-managed. It didn't show any late payments in the last six months and there were no records of Mr F using payday loans. There was no adverse data such as defaults or public records in the last 36 months. So, in the round, I think it was reasonable for Likely Loans to conclude Mr F's finances were stable when he applied - and had been for some time.

Mr F argues that £100.61 monthly disposable income was not sufficient given the term of the loan. But the lender had also allocated a buffer of £74.07 so in essence he had more than the stated £100 of income remaining to cover discretionary or unplanned costs.

But more importantly, Mr F had said the loan was for debt consolidation. As Mr F didn't have a history of applying for loans with Likely Loans for consolidation purposes and then returning for further funds after having failed to consolidate as he said he would, I think Lendable was reasonably entitled to believe the funds would be used for the stated purpose. So the debt wasn't wholly incremental – the loan was being used to repay other debts thereby reducing Mr F's existing credit commitments and leaving him with additional disposable income versus the lender's calculation.

It follows I don't think Likely Loans was wrong to lend to Mr F.

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 Mr F or otherwise treated him 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 Mr F's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 2 July 2025.

Rebecca Connelley
Ombudsman