

Complaint

Ms W complains that Oodle Financial Services Limited (“Oodle”) unfairly entered into a hire-purchase agreement with her. She’s said that it wasn’t thoroughly checked whether she could make the repayments to this agreement which had an unaffordable interest rate.

Background

In March 2021, Oodle provided Ms W with finance for a used car. The purchase price of the vehicle was £6,400.00. Ms W paid a deposit of £2,400.00 and sought finance for the remaining £4,000.00 she required. Oodle agreed to provide this finance via a 36-month hire-purchase agreement.

The loan had interest, fees and total charges of £1,366.08 (comprising of interest of £1,266.08 a document fee of £50 and an option to purchase fee of £50), and a 36-month term. This meant that the balance to be repaid of £5,366.08 (which does not include Ms W’s deposit) was due to be repaid in a first monthly repayment of £196.28, followed by 34 monthly instalments of £146.28 and then a final instalment of £196.28.

The agreement was settled in full in April 2022. In October 2024, Ms W complained to Oodle saying that the agreement was unaffordable and that it shouldn’t have entered into it with her. Oodle didn’t uphold Ms W’s complaint. It believed that the checks it carried out were proportionate and that they showed it was reasonable to lend to her. Ms W remained dissatisfied at this outcome and referred her complaint to our service.

Ms W’s complaint was considered by one of our investigators. She didn’t think that Oodle had done anything wrong or treated Ms W unfairly. So she didn’t recommend that Ms W’s complaint should be upheld.

Ms W disagreed with our investigator and the complaint was passed to an ombudsman for a final decision.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

We’ve explained how we handle complaints about irresponsible and unaffordable lending on our website. And I’ve used this approach to help me decide Ms W’s complaint.

Having carefully considered everything, I’m not upholding Ms W’s complaint. I’ll explain why in a little more detail.

Oodle needed to make sure that it didn’t lend irresponsibly. In practice, what this means is that Oodle needed to carry out proportionate checks to be able to understand whether any lending was sustainable for Ms W before providing it.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify that information – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low, the amount lent was high, or the information the lender had – such as a significantly impaired credit history – suggested the lender needed to know more about a prospective borrower's ability to repay.

Oodle says it agreed to this application after Ms W provided details of her salary. It says it also carried out credit searches on Ms W which showed that she had had previous difficulties with credit in the form of defaulted accounts. Nonetheless, it says that when reasonable payments based on the amount Ms W owed to existing creditors, plus estimates of her living expenses (based on statistical data) were deducted from her monthly income, the monthly payments were affordable.

On the other hand, Ms W says the monthly payments were unaffordable.

I've thought about what Ms W and Oodle have said.

The first thing for me to say is that Oodle didn't simply accept Ms W's declarations at face value as it carried out credit checks. I appreciate that Oodle was aware that Ms W had defaults. However, given the amount of the monthly payments, Ms W was being provided with an asset and she'd paid over a third of the cash price as an upfront deposit, I don't think that Ms W's credit history in itself meant that she shouldn't have been lent to in this instance.

Nevertheless, while I don't think that the presence of the defaults on Ms W's credit file meant that she shouldn't have been lent to, I do think that the existence of them meant that Oodle needed to find out more about Ms W's actual living expenses, rather than relying on an estimate of these.

However, I don't think that Oodle carrying out further checks is more likely than not to have made a difference here. I say this because I'm satisfied that Oodle is still likely to have lent to Ms W even if it had found out more about her actual living expenses, rather than relied on statistical data.

To be clear, I wouldn't have expected Oodle to carry out a forensic analysis of her income and expenditure. I think that, at best, Oodle ought to have asked Ms W a bit more about her regular living expenses. I think that if it had done this here, Oodle was more likely than not to have concluded that Ms W could sustainably make the repayments due under this agreement.

In my view, when the payments to credit which Oodle factored into its assessment (based on its credit search) are added to the payments I've been able to see for Ms W's living expenses and then deducted from the income she received, she appears to have sufficient funds to make the payments to this agreement.

I accept that Ms W's actual circumstances at the time were significantly worse than what finding out more than about her regular living expenses is more likely than not to have shown. I can see that there are significant amounts of payments going out of Ms W's account which, although I would not categorise as essential expenditure, may well have affected her ability to make her payments.

I accept that it is possible – but by no means certain – that if Oodle had seen what Ms W has provided now, it may have made a different decision on whether to lend. However, Oodle wasn't aware of the extent and nature of Ms W's additional spending. Equally, I also need to keep in mind that this was a first agreement and Ms W was being provided with a car rather than cash.

Given the circumstances here as well as what I think that Oodle needed to find out, I don't think that reasonable and proportionate checks would have extended into obtaining bank statements from Ms W – especially as bank statements weren't the only way that Oodle could find out about Ms W's living expenses in the first place.

I also have to consider Ms W's submissions in the context that they are now being made in support of a claim for compensation. Whereas at the time of sale, at least, Ms W clearly wanted the car she had chosen and it's fair to say that any explanations she would have provided would have been with a view to persuading Oodle to lend rather than highlighting that the monthly payments to the agreement were unaffordable for her.

Therefore, I think that it is unlikely – and certainly less likely than not – that Ms W would have disclosed her additional spending at the time, or more importantly that Oodle would have been in a position to know about this had it carried out proportionate checks.

So having carefully considered everything, I'm satisfied that the available information makes it appear, at least, as though proportionate checks would have shown that Ms W could make the monthly payments to this agreement in a sustainable manner. And in my view, it is unlikely – and less likely than not – that Oodle would have declined to lend if it had found out the further information that I think it needed to here.

I have also thought about what Ms W has said about the interest on the agreement being high. However, the information regarding the total cost of the credit, which is set in the background section of this final decision, is taken directly from the credit agreement Ms W signed.

I'm therefore satisfied that Ms W was notified of the costs of the agreement before she entered into it. Furthermore, as Ms W signed the agreement, accepted delivery of the car and made the payments she did before settling the agreement early, I can only assume that she was happy to accept these terms, at least at the time, and proceed with the agreement.

Finally, in reaching my conclusions, I've also considered whether the lending relationship between Oodle and Ms W might have been unfair to Ms W under s140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I've not been persuaded that Oodle irresponsibly lent to Ms W or otherwise treated her unfairly in relation to this matter. And I haven't seen anything to suggest that s140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

Overall and having carefully considered everything, while I don't think that Oodle's checks before entering into this hire-purchase agreement with Ms W did go far enough, I'm not persuaded that reasonable and proportionate checks would have prevented Oodle from providing these funds, or entering into this agreement with her. I appreciate that this will be disappointing for Ms W. But I hope that she'll understand the reasons for my decision and she'll at least consider that her concerns have been listened to.

My final decision

My final decision is that I'm not upholding Ms W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms W to accept or reject my decision before 14 April 2025.

Jeshen Narayanan
Ombudsman