

The complaint

Mr E complains Oodle Financial Services Limited trading as Oodle Car Finance's ("Oodle") decision to lend him.

Mr E has been represented. For clarity, I've only referred to Mr E throughout this decision.

What happened

Mr E entered into a hire purchase agreement with Oodle in January 2021 to acquire a used van. The van cost £24,538 and Mr E paid a £5,500 deposit. This meant he borrowed £19,038 from Oodle to acquire the van. Under the agreement, Mr E was required to make one payment of £486.29, followed by 58 monthly payments of £436.29 and a final payment of £486.29. Interest charges of £7,139.40 were applied to the agreement and the total amount payable under the agreement, including the deposit, was £31,777.40.

In February 2024, Mr E complained to Oodle and said it hadn't carried out sufficient affordability or creditworthiness checks at the time of lending to him. He said he had a number of accounts open at the time and since Oodle approved the loan for the van, he had taken out more finance.

Oodle issued its response to Mr E's complaint in April 2024. It said Mr E had told it that he was self-employed, notified it of his gross income and explained he was a homeowner. Oodle said it made enquiries with credit reference agencies and carried out an affordability assessment. It said since Mr E had taken out the agreement he had never missed a payment which indicated Mr E was able to make the repayments. It said Mr E hadn't provided information to suggest otherwise and so, it didn't uphold Mr E's complaint.

Unhappy, Mr E referred a complaint to this service. He said to put things right, he wanted to only pay the capital amount, for Oodle to pay 8% simple interest on any overpayments he had made over this amount and to remove any adverse information from his credit file.

Our investigator looked into the complaint. But he thought Oodle had no reason to believe that Mr E couldn't afford the repayments under the agreement. He said he thought Oodle had completed proportionate checks and he hadn't seen anything to suggest Oodle had made an unfair lending decision.

Mr E disagreed and said self-employed income was less predictable. He said Oodle should have made sure he had stable income before agreeing to lend to him.

Our investigator said that Mr E confirmed he had been self-employed for more than eight years at the time of his application and so, this showed stability. He said Mr E's credit file showed his mortgage had been repaid without any issue, no defaults and that it was being well maintained. He also noted that the van was to be used for Mr E's business and he didn't think Oodle could have done much more to confirm Mr E's ability to repay.

Mr E said he agreed that his credit file didn't show any red flags but this didn't mean he could afford the agreement on top of his existing lending. He said Oodle should have verified his income rather than relying on what he had declared.

As Mr E remains in disagreement, the case has been passed to me to decide.

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.

Where evidence is incomplete, inconsistent or contradictory, I reach my view on the balance of probabilities – in other words, what I consider most likely to have happened in light of the available evidence and wider circumstances.

We explain how we handle complaints about irresponsible and unaffordable lending on our website. I've used this approach to help me decide Mr E's complaint.

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 affordable for Mr E before providing it.

In this case, I think there are two overarching questions that I need to answer in order to fairly and reasonably decide Mr E's complaint. These two questions are:

1. Did Oodle complete reasonable and proportionate checks to satisfy itself that Mr E would be able to repay his loan without experiencing significant adverse consequences?
 - If so, did it make a fair lending decision?
 - If not, would those checks have shown that Mr E would've been able to do so?
2. Did Oodle act unfairly or unreasonably in some other way?

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. I've carefully thought about what this means for Mr E's case.

In this case, Oodle has provided us with its system notes showing the checks it carried out before making the decision to lend to Mr E. I can see from these checks Oodle recorded Mr E's gross income to be around £40,000. It noted that he had been self-employed for more than eight years and that he was a homeowner. Oodle has provided a copy of the credit check it carried out at the time and this showed that Mr E was managing his available credit well, he had a number of settled accounts and there wasn't any recent adverse information reported by any lenders. There also wasn't any indication of over indebtedness and it confirmed that Mr E had settled his mortgage in 2019.

Given the length of the loan and the amount of the monthly repayments, I think Oodle should have carried out further checks to verify Mr E's income and expenditure. I appreciate it was able to obtain some information about Mr E's expenditure from the credit check it carried out, but I think it should have done more to satisfy itself that Mr E would be able to afford the repayments without experiencing any significant adverse consequences.

In light of this, I've gone on to consider what I think proportionate checks would have likely shown.

I've thought about what a proportionate check could look like considering the terms of the agreement. In this case, the agreement was due to last around five years, the purpose of the lending was for an asset and the repayment was around £500. Given the amount of the monthly payments and that the payments were due to last for around five years, I think

Oodle should have verified Mr E's income and asked him for more details about his committed non-discretionary expenditure.

We've obtained bank statements which demonstrate Mr E's circumstances at the time he applied for the finance. To be clear, I'm not saying that Oodle was required to obtain these before lending to Mr E. Instead, I've reviewed the bank statements because I think the information they contain is what is needed to reconstruct what a proportionate check may have looked like. I also accept that if Oodle had obtained information from Mr E about his income and his expenditure at the time the agreement was taken out, this may have shown something different. However, in the absence of anything else from Oodle to demonstrate what any other checks would have shown, I think it's reasonable to place considerable weight on the bank statements as an indication as to what Mr E's circumstances likely were at the time.

Having reviewed the bank statements for three months before the lending commenced, they show that Mr E was receiving consistent payments into his account. It seems Mr E used his account both as a personal account and a business account and so, it is difficult to distinguish between what was personal/business borrowing or expenditure. The average income over three months from Mr E's self-employed business was around £2,500 per month. This doesn't include around £3,000 of cash payments deposited into the account during this period, payments from other individuals or businesses and neither does it include a grant Mr E's business received of around £3,000 from the government due to the impact of Covid-19.

Having calculated Mr E's regular monthly contractual payments, which include, but is not limited to, payments to a communication provider, insurance payments, and other creditors, I can see that Mr E had sufficient funds left over to meet any other reasonable expenses even after the payments owed under the agreement were deducted. The average disposable income, after the payments under the agreement were deducted, was around £900. I can also see that Mr E overpaid his or his businesses loans and credit cards substantially during some months. For example, in one month he paid £900 in different transactions towards a loan. The credit file shows a number of loans were repaid early. This isn't indicative that Mr E was in financial difficulty prior to taking out this lending. And so, I'm satisfied that further checks would have shown Mr E had enough disposable income each month to make the repayments.

Overall, I'm satisfied that even if Oodle had carried out proportionate checks, it would have still been fair and reasonable for it to lend to Mr E. And I think the checks would have shown he was able to make the repayments owed under the agreement without experiencing significant adverse consequences.

Did Oodle act unfairly or unreasonably in some other way?

I haven't seen any information to suggest that Oodle acted unfairly or unreasonably in any other way. Mr E's repayments have all been paid on time and so, there isn't anything to suggest to Oodle that Mr E may be suffering from financial difficulties. Having said this, if Mr E is suffering from financial difficulties, he will need to contact Oodle and it will be obliged to treat him positively and sympathetically.

Finally, I've thought about whether considering this complaint more broadly as being about an unfair relationship under Section 140A of the Consumer Credit Act 1974 ("Section 140A") would lead to a different outcome. However, for the reasons I've already given, I don't think Oodle lent irresponsibly to Mr E 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. It follows that I'm not asking Oodle to do anything further.

My final decision

I don't uphold Mr E's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 8 May 2025.

Sonia Ahmed
Ombudsman