

The complaint

Ms W complains through a representative that Oodle Financial Services Limited (“Oodle”) gave her a hire purchase agreement without carrying out adequate affordability checks.

What happened

In September 2021, Oodle provided Ms W with a hire purchase agreement for a used car. The cash price for the vehicle was £8,750 and Ms W paid a £400 deposit. The total amount of credit advanced was £8,350 with £3,231 of interest, fees and charges. With a total to repay of £11,981. Ms W was due to make one payment of £241.35, then 58 payments of £191.35 followed by a final payment of £241.35. The statement of account shows the agreement is still running.

Ms W complained to Oodle saying the agreement shouldn't have been given to her and by doing so it created an unfair relationship. Oodle issued a final response letter about Ms W's complaint in July 2024, and it didn't uphold it. Ms W's representative then referred the complaint to the Financial Ombudsman.

Ms W's complaint was considered by an investigator who upheld the complaint. Oodle agreed with the recommendation. However, while Ms W's representatives agreed that the complaint should be upheld, it disagreed with the way the investigator had tried to put things right. Ms W wants to keep the vehicle and so the representatives looked to see whether there was any alternative way to put things right that would allow Ms W to stay in the car.

The investigator made enquires with Oodle, and by January 2025, Oodle confirmed Ms W had made monthly payments which totalled £6,811.11. There were also arrears of £510.19. In total, there was still £1,538.89. that Ms W would need to pay in order to have covered the amount of finance she was given.

Ms W's representative asked whether this outstanding balance could be paid through a repayment plan rather than in one lump sum. Ms W's representative suggested that she keeps the car and carries on paying the monthly repayments that she has been making until the amount financed has been repaid.

The complaint was passed to me and I issued the provisional decision, agreeing that the complaint ought to be upheld but I proposed to change what Oodle needed to do in order to put things right for Ms W.

Both parties were asked for any additional submissions. Ms W's representative explained it agreed with the outcome, it pointed out Ms W had now made a sufficient amount of payments to have repaid Oodle the value of the car and so asked for any overpayments to be refunded.

Oodle accepted the provisional decision and agreed to transfer the ownership of the vehicle to Ms W once the financed amount had been paid.

A copy of the provisional findings follows this in smaller font and forms part of this final decision.

What I said in my provisional decision:

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 thought about everything I've been provided with.

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.

To me the lending decision aspect of this complaint appears to be resolved. Both parties have agreed the finance shouldn't have been entered into and so I won't be making a finding about that. But what is undecided is what Oodle should do (or not do) in order to put things right for Ms W and that is what I've concentrated on in this decision.

Our approach to putting things right and what we typically tell a lender to do in a complaint about irresponsible and unaffordable lending

I've thought about the investigator's proposed method of putting things right and carefully considered whether it amounts to fair compensation in this case.

It might help for me to start by explaining that in broad terms, where it's found that a business has done something wrong, I'd normally expect that business – in so far as is reasonably practicable – to put the consumer in the position they would be in now if that wrong hadn't taken place. But when it comes to complaints about irresponsible lending this isn't straightforward. For reasons I'll explain later on, the position is even more complicated where goods are involved.

Ms W entered into the agreement and was, at least, given the car in question. She has currently had the vehicle for three and half years. So, in these circumstances, I can't undo what's already been done. And it's simply not possible to put Ms W back in the position she would be in if she hadn't been granted the finance in the first place.

As this is the case, I have to think about some other way of putting things right in a fair and reasonable way bearing in mind all the circumstances of the case. Our website sets out the main things we consider when looking at putting things right in cases where we conclude that a lender did something wrong in irresponsible/unaffordable lending complaints.

We typically say the borrower should repay the amount lent and the lender refunds any interest, fees and charges the borrower paid. This is because the borrower will have had the benefit of the credit they were provided with and it's usually the extra paid over and above this – any interest fees and charges – that will have caused the consumer to lose out.

The position in Ms W's case

In this case, ensuring Ms W paid no interest and charges would limit her to paying back the £8,350 Oodle originally lent to her (not including the deposit). But I don't think that a refund of the interest fees and charges is appropriate here, as a fair and reasonable way to resolve the complaint.

I say this because based on Oodle's own figures from January 2025 Miss W had paid £6,811.11 in interest monthly repayments – towards the capital advanced of £8,350. So, at best, Ms W still had around £1,500 left to pay Oodle to get to the point where she'd repaid the capital advanced. Of course, that amount may well now be lower because it's likely that further payments have since been paid.

I've therefore given careful thought to how else it might be fair and reasonable to put things right for Ms W – beyond the standard redress that the investigator proposed bearing in mind she was provided with a hire-purchase agreement, she shouldn't have been provided with. I also need to, as far as practicable, ensure that neither party ends up in a better position than they would be had the agreement not been taken.

Our investigator's view concluded that the fair starting point here would be for the car to go back to Oodle. I can understand why they recommended this – after all at least at the point the complaint was considered Miss S hadn't yet paid enough to Oodle to cover the cost of the finance. So, returning the car, on its own, isn't an unreasonable starting point.

As the investigator thought that the car should go back, it was also reasonable of them to have considered that Ms W had the car for a period of time and should therefore make a payment to reflect that she had use of it. And this is why, as part of the redress recommendation, the investigator allowed Oodle to keep £150 per month of the payments she made to reflect each month she had access to the car – or what we'd call fair usage.

There isn't an exact formula for working out fair usage. But in deciding what's fair and reasonable we'd typically think about things like the amount of interest charged on the agreement, the customer's usage of the car and what sort of costs they might have incurred to stay mobile if they didn't have the car financed.

Our investigator concluded that Ms W should pay £150 for each month she had the car, which, at the time of the assessment, at least, meant that Ms W needed to pay Oodle £7,650.

But I have two things to say about this, firstly, the investigator mis-calculated the number of months that Ms W had the car for – they said it was 51 months when in actual fact – its less than that its roughly, now 42 months. This also meant the Investigator recommended Ms W pay Oodle £7,650 – which is close to the total amount Ms W borrowed.

Whereas, based on using the correct number of months, Ms W would need to return the car and then Oodle would've been allowed to have kept £6,300 of the payments Ms W had made to it with any overpayments being returned to her. Plus Oodle would keep the car and then be in a position to do what it wants with it. This is just under the total amount Oodle has already accepted it has received.

However, as this was a more traditional hire-purchase agreement, rather than a personal contract purchase style one, I can't see that the term of the agreement, or the monthly payments, were ever supposed to be linked to the amount it would have cost Ms W to stay mobile in a vehicle of the sort covered by the agreement. Secondly and more importantly Ms W would end up with ownership of the vehicle at the end of the term if she paid the cash price – without having to pay a significant balloon payment.

In this situation, no statement of account has been provided, but assuming Ms W has paid her February 2025 and March 2025 statements as expected she now is around £1,000 short of having paid Oodle the amount that it financed to buy the car.

No statement of account has been provided and Oodle has mentioned there are arrears but the figure I've used above are based on the finance value as well as the mount Ms W has paid to date – which was provided by Oodle.

I also don't see how it follows that dividing the amount of the cash price by the term, where Ms W won't end up with ownership of the car, produces a fair monthly usage amount.

I say this particularly as this methodology, had Miss W kept the car for say 51 months – as the investigator initially said would've been expected to repay almost the amount financed for the vehicle despite the car having to go back. Indeed, had Ms W had kept the car for say 56 months, then she'd be required to pay Oodle more than the amount financed as part of the agreement and having returned the car to Oodle. Which wouldn't happen, if the amount Ms W was due to pay Oodle was capped at the amount financed.

I'm therefore satisfied that the investigator's proposed method of putting things right does not result in a fair and reasonable outcome.

What I think it would be fair and reasonable for Oodle to do to put things right

As I've not agreed with the investigator's method of Oodle putting things right, I've considered what I believe it would be fair and reasonable to expect Ms W to pay to account for the time she had the car. I appreciate that we've said the car should go back to Oodle, this would enable Oodle to resell the car and then recover any short fall in the finance agreement. Oodle, has correctly and fairly I would add say that if and when it takes the car back it will review for damage beyond expected wear and tear – after all that will impact the re-sale of the vehicle. And, its fair to say that Ms W, given the amount the investigator calculated will need to pay £150 each month she has had use of the car – and Oodle has acknowledged that today she's already paid it over £6,800 in payments.

Given, how close Ms W is to paying Oodle the amount it finance to her – and bar some arrears, it seems that Ms W's payments have generally been made on time, it therefore follows that within the next four or five months she'd have repaid a sufficient amount to Oodle to take ownership of the car – meaning she'd have in effect had an interest free loan to obtain the car. This is as I've outlined above the loss that Ms W has incurred – paying interest on an agreement she ought to not have being granted.

I accept that neither party will be fully satisfied at my proposed resolution. On the one hand, Ms W wants to be able to keep the car and then agree a repayment plan. On the other hand, Oodle will be unhappy that I have not agreed with the investigator's assessment of fair usage.

While I accept that Oodle will be disappointed at my decision to depart from the investigator's conclusions, I trust that it will be able to see how and why her approach does not produce an outcome that's fair and reasonable in all the circumstances of this case. Furthermore, I consider that it ought to see how my proposed resolution is broadly in line with our overall principles on how to put things right in cases of irresponsible and unaffordable lending, which I've already set out.

Bearing in mind all of this, I'm satisfied that when taken in the round my proposed resolution, to allow Ms W to keep the car and continue to make payments until the amount financed has been prepaid – which would in effect make the agreement interest free – which is of course, already a way that the Financial Ombudsman uses to try and put things right.

But I would point out, that should Ms W not make her payments as expected or encounter problems the redress doesn't prevent Oodle from taking any necessary enforcement or recovery action.

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.

Both parties accepted the provisional decision findings and agreed that once Ms W had paid the amount of financed advanced to her then Oodle would transfer ownership of the vehicle to her. So, I see no reason to depart from my findings that I made in the provisional decision and which can be found above.

I just want to clarify, the compensation payment – given the comments by Ms W’s representative. I don’t have the most update to date calculation, but given, what I had set out in the provisional decision as to what Oodle needed to do – which was in effect let Ms W pay the value of the car.

It therefore follows, that if Ms W has now already paid Oodle the amount which was financed then – any excess would need to be returned to her along with 8% simple interest, and I’ve adjusted the compensation below to reflect what Oodle will need if Ms W has paid more than the financed amount for the car.

I’ve also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I’m satisfied the redress I have directed below results in fair compensation for Ms W in the circumstances of her complaint. I’m satisfied, based on what I’ve seen, that no additional award would be appropriate in this case.

Putting things right

Overall and having considered everything, I’m currently minded to conclude that it would be fair and reasonable for Oodle to put things right for Ms W by:

- Allow Ms W to keep the car.
- Ms W should continue to make the monthly contracted repayments which she is currently making until the point that she has paid Oodle a sufficient sum to cover the cost of the finance - £8,350.
- If however, Ms W has paid more than the above sum to Oodle, then it should refund any overpayments from the date they arise to the date of settlement*.
- Once the finance has been repaid, ownership of the car should be transferred to Ms W.
- Remove any adverse payment information recorded on Ms W’s credit file in relation to this agreement.
- However, should Ms W not make payments as expected or doesn’t pay the difference between what she’s paid and what she now owes this doesn’t prevent Oodle from taking any and all necessary recovery action.

*HM Revenue & Customs requires Oodle to deduct tax from this interest. Oodle should give Ms W a certificate showing how much tax it has deducted, if she asks for one.

My final decision

For the reasons I’ve explained above and in the provisional decision, I’m upholding Ms W’s complaint.

Oodle Financial Services Limited should put things right for Ms W as directed above.

Under the rules of the Financial Ombudsman Service, I’m required to ask Ms W to accept or reject my decision before 13 June 2025.

Robert Walker
Ombudsman