DRN-5481209

The complaint

Mr B complains that Oodle Financial Services Limited (Oodle) failed to complete adequate creditworthiness assessments prior to lending to him, resulting in him experiencing financial hardship.

Mr B is represented in this complaint by a professional representative but, for ease, I'll refer to Mr B directly throughout my decision.

What happened

In September 2020, Mr B acquired a car through a Hire Purchase Agreement (HPA) with Oodle. The cash price of the car was £8,548, with the full amount provided as credit through the agreement.

The agreement required Mr B to make an initial monthly repayment of £260.14, followed by 58 monthly repayments of £210.14 and then a final repayment of £260.14 on month 60.

In September 2024, Mr B complained to Oodle that they failed to complete an adequate affordability assessment prior to agreeing the finance and that the lending was unaffordable for him.

Oodle didn't think they'd done anything wrong saying they'd undertaken a reasonable and proportionate assessment before being satisfied the finance was affordable and approving the agreement.

Mr B remained unhappy, so he asked the Financial Ombudsman Service to look into his complaint.

One of our Investigator's looked into things and said while he didn't agree Oodle had completed proportionate checks, he thought that if they had done, they'd likely have found the repayments appeared affordable for Mr B. As such, our Investigator didn't think Oodle had acted unfairly by approving the finance for him.

Mr B disagreed he had the amount of disposable income our Investigator said he'd had at the time of the application, saying it was much less and wasn't enough to accommodate emergency occurrences after the cost of the agreement was taken into account.

Our Investigator looked into things again but said he remained satisfied Mr B's disposable income figure was higher. But in any case, he said even using Mr B's own calculations, he still felt the lower disposable income figure reached was sufficient for the agreement to have been considered affordable.

Mr B remained unhappy. Because no agreement could be reached, this complaint 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.

Having done so, and I acknowledge it will come as a disappointment to Mr B, I'm not upholding his complaint for broadly the same reasons as our Investigator. I'll explain why.

How we handle complaints about irresponsible and unaffordable lending is explained on our website. It's this approach I've used when deciding Mr B's complaint. Oodle needed to ensure they didn't lend irresponsibly which in practice, means they needed to carry out proportionate checks to be able to understand whether any lending was affordable and sustainable for him before agreeing to provide the finance.

The rules that apply to credit agreements are set out in the FCA's consumer credit sourcebook (CONC). Section 5.2A of CONC is relevant here, as – among other things – it talks about the need for businesses like Oodle to complete reasonable and proportionate creditworthiness assessments before agreeing to lend someone money.

I've considered these rules by asking the following questions:

1) Did Oodle complete reasonable and proportionate checks to satisfy themselves Mr B would be able to meet the repayments of the borrowing without experiencing significant adverse consequences?

- If they did, was their decision to lend to Mr B fair?

- If they didn't, would reasonable and proportionate checks have shown that Mr B could sustainably repay the borrowing?

2) Did Oodle act unfairly or unreasonably in some other way?

<u>Did Oodle complete reasonable and proportionate affordability checks?</u>

What's considered reasonable and proportionate in terms of the checks a business undertakes will vary dependant on the details of the borrowing and the consumer's specific circumstances at the time.

Here, the total amount repayable under the agreement was around £12,700, with Mr B committing to make a monthly repayment of £260.14, either side of 58 monthly repayments of £210.14. This was, therefore, a relatively lengthy credit commitment for someone to enter into repaying not an insignificant amount back each month, so my starting point is that I'd expect to see Oodle to have completed a thorough affordability check.

Mr B told Oodle he was employed, had been in the role for five years and earned a gross annual income of £18,500. He also said he was a homeowner, cohabiting and had been at his address for five years at the time.

Oodle then completed a credit file check and used all the above information, alongside using statistical data to estimate Mr B's essential expenditure to satisfy themselves the agreement was both affordable and sustainable prior to offering the finance.

The credit report data I've seen Oodle obtained showed them Mr B had an active credit card account and two small unsecured loans at the time. He also held a communications account and a bank account. All five accounts were being managed well.

Oodle could also see Mr B had defaulted on a credit card account and two communications accounts, all of which could be seen as having been settled in 2016. So, I think it's reasonable for Oodle to have considered these as historic and not of any real concern.

But Mr B could also be seen to have one further default on a credit card which had occurred in 2015 and remained active at the time of his application with Oodle. While the default could be seen to be reducing, I think it still being active at the time ought to have prompted Oodle to gain a better understanding of Mr B's financial situation.

In addition, I can't be sure what figures Oodle used to estimate Mr B's expenditure or what they calculated it likely to be. Oodle haven't provided me any evidence of the statistical data they used.

Nor can I see Oodle took any steps to independently verify Mr B's income. CONC says a firm shouldn't generally rely on a customer's own declaration of their income. In this case, I think both the term of the agreement and Mr B's monthly commitment towards it, meant they should've taken steps to verify what he said he earned.

It follows, for the reasons I've explained, I can't say Oodle's checks were proportionate.

But as I've explained above, that doesn't necessarily mean I can uphold Mr B's complaint – I now need to consider whether Oodle would've likely been able to fairly decide to lend to him if they had done proportionate checks.

<u>If Oodle had done proportionate checks, what would they have found?</u>

Had Oodle independently verified Mr B's income, I'm satisfied they'd have found his net income from employment to be on average around £1,260 a month. I've calculated this by taking an average from Mr B's bank account statements for the three full months prior to his application.

But it's worth noting Mr B's income appears to have consistently increased slightly in the two full months prior to the lending, as well as during the month the agreement was taken out – with the average over these three months being around £1,350.

Ultimately, without including the earliest month where Mr B's income was slightly lower and which appears to be an outlier, £1,350 is in line with the annual income figure he declared at the time of the application. So, I think it would also have been reasonable for Oodle to have confidently taken this figure as Mr B's income when proceeding with the application.

As I've not seen any evidence of Oodle's calculation of Mr B's expenditure or disposable income, I've looked at the same bank account statements, three months prior to the HPA.

I'm not saying Oodle specifically needed to obtain bank statements as part of their credit worthiness checks. But in the absence of other information, I think bank statements provide me a good indication of Mr B's expenditure at the time the lending decision was made.

I'm satisfied Mr B's bank account statements show his average monthly expenditure towards essential spending was around £910. Approximately each month on average this consisted of £270 towards rent, £95 towards his existing credit commitments, £280 towards groceries, £73 towards insurances and utilities contracts, £142 towards car and travel related expenses and £50 in interest payments.

This would have left Mr B with around £440 per month from which to make the repayments due under the agreement of around £210. So, I'm satisfied Oodle could have fairly decided the agreement was affordable for Mr B.

I’m aware Mr B reaches different figures when calculating his essential expenditure seen on his bank statements. My own calculations differ marginally to both Mr B’s and our Investigator’s. But it’s important to remember that we are now looking at this data in hindsight and it is sometimes difficult to differentiate between payments towards for example fuel or groceries when fuel is readily available from supermarkets, as it is also difficult to separate essential and non-essential expenditure simply from a transaction on an account.

I can also see on occasions such as when paying his existing credit card, Mr B chose to pay a higher amount back one month, over the amount that he would’ve been required to have paid. Where Mr B might consider this spending to be essential, I’ve only considered his contractual payments when reaching my calculations, not any overpayments he chose to make.

But regardless, even using Mr B’s calculations which left him with a lower disposable income amount of around £175 a month after accounting for the payment towards the new agreement, our Investigator said he was satisfied this would be more than a sufficient amount for Oodle to have deemed the lending affordable. And I agree.

Further, in the circumstances of this case, Mr B declared when completing a questionnaire for his representative that the finance is now settled with him not ever having missed or made a payment late. Mr B also answered ‘No’ when asked if he’d ever struggled to make the payments on time, if he’d ever had to borrow funds to repay the finance and if the finance repayments had affected his mental wellbeing and/or quality of life in anyway.

Ultimately, when asked if he believes the HPA Oodle provided him was affordable or unaffordable, Mr B answered ‘Affordable’. I think Mr B declarations further support his disposable income was sufficient for him to sustainably afford the repayments to the HPA.

So, I’m satisfied Oodle’s lending decision was fair and I’m not upholding this complaint.

<u>Did Oodle act unfairly or unreasonably in some other way?</u>

I’ve also considered whether Oodle acted unfairly or unreasonably in some other way given what Mr B has complained about, including whether its relationship with Mr B might have been unfair under s.140A Consumer Credit Act 1974.

However, for the reasons I’ve already given, I don’t think Oodle lent irresponsibly to Mr B or otherwise treated him unfairly. I haven’t seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

For the reasons I’ve explained above, my decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr B to accept or reject my decision before 25 September 2025.

Sean Pyke-Milne
Ombudsman