

Complaint

Mr S complains that Oodle Financial Services Limited (trading as “Oodle” Car Finance) unfairly entered into a hire-purchase agreement with him. He’s said that the monthly payments to this agreement were unaffordable.

Background

In August 2021, Oodle provided Mr S with finance for a used car. The the total cash price was £8,196.96. Mr S didn’t pay a deposit and entered into a hire-purchase agreement with Oodle for the entire amount of the purchase.

The loan had total interest, fees and charges of £3,993.64 (made up of interest of £3,893.64, a document fee of £50 and an option to purchase fee of £50) and a 60-month term. This meant that the total amount to be repaid of £12,190.60 was due to be repaid in a first monthly payment of £251.51, followed by 58 monthly instalments of £201.51 and then a final monthly payment of £251.51.

Mr S’ complaint was considered by one of our investigators. He didn’t think that Oodle had done anything wrong or treated Mr S unfairly. So he didn’t recommend that Mr S’ complaint should be upheld.

Mr S 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 Mr S’ complaint.

Having carefully considered everything, I’m not upholding Mr 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 Mr S 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 Mr S provided details of his employer as well as his annual income. It says it also carried out credit searches on Mr S which did show a defaulted account and a County Court Judgment ("CCJ") recorded against him. However, it wasn't concerned as they had both been settled and the most recent of these difficulties occurred more than three years prior to this application.

In its view, when reasonable repayments towards the amount Mr S owed on his active accounts, plus a reasonable amount for Mr S' living expenses were deducted from his monthly income the monthly payments were still affordable. On the other hand, Mr S says the monthly payments were unaffordable.

I've thought about what Mr S and Oodle have said.

The first thing for me to say is that, unlike our investigator, I don't think that the checks Oodle carried out did go far enough. I don't think it was reasonable to rely on an estimate of Mr S' living costs given the amount of adverse information on his credit file.

As Oodle didn't carry out sufficient checks, I've gone on to decide what I think Oodle is more likely than not to have seen had it obtained further information from Mr S. Bearing in mind, Mr S' previous difficulty, the length of time of the agreement and the amount of the monthly payment, I would have expected Oodle to have had a reasonable understanding about Mr S' regular living expenses as well as his income and existing credit commitments.

That said, 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 Mr S even if it had found out more about his actual living expenses, rather than relied on estimates.

I say this because in my view, when reasonable repayments to Mr S' existing credit are added to the payments which I've been able to see for Mr S' living expenses (in the information he has provided) and then deducted from the funds he received, he does appear to have had sufficient funds to make the payments to this agreement.

I accept that Mr S argues that his actual circumstances at the time were worse than what the information shows. However, given Mr S considered it a reasonable time to purchase a vehicle, in the knowledge of the financial situation he says he was in, I think that any information or explanations he is likely to have provided Oodle with at this time was more likely to be with a view to persuading it to lending to him, rather than highlighting any unaffordability.

Furthermore, I need to consider what it is proportionate checks for credit of the amount being advanced, would have shown Oodle about Mr S. This is not the same as what a retrospective full review of Mr S' circumstances show, or whether I would have taken the decision to lend based on this information.

In my view, even if Oodle had found out more about Mr S' actual living expenses, rather than relying on assumptive data, I think it is still likely to have concluded that he had enough to make the payments to this agreement.

Overall and having carefully considered everything, while I don't think that Oodle's checks before entering into this hire purchase agreement did not go far enough, I'm, in any event,

satisfied that carrying out further checks won't have stopped Oodle from providing these funds, or entering into this agreement with Mr S.

In reaching this conclusion, I've also considered whether the lending relationship between Oodle and Mr S might have been unfair to Mr S under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think Oodle irresponsibly lent to Mr S or otherwise treated him unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

I appreciate that this will be disappointing for Mr S. But I hope he'll understand the reasons for my decision and at least consider that his concerns have been listened to.

My final decision

My final decision is that I'm not upholding Mr S' complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 20 May 2025.

Jeshen Narayanan
Ombudsman