DRN-5492827

The complaint

Mr L, who is represented by a third party, complains that Oodle Financial Services Limited ("Oodle"), trading as Oodle Car Finance, irresponsibly granted him a hire purchase agreement he couldn't afford to repay.

What happened

In November 2021 Mr L acquired a used car financed by a hire purchase agreement from Oodle. The amount of credit was £4,950. Mr L was required to make an initial payment of £170.41 followed by 56 payments of £120.41 and then a final payment of £170.41. The total repayable under the agreement was £7,083.78.

The agreement was voluntarily terminated by Mr L in February 2023.

Mr L says that Oodle didn't complete adequate affordability checks. He says if it had, it would have seen the agreement wasn't affordable, especially given his financial history. Oodle didn't agree. It said that it carried out a thorough assessment which included using credit checks and statistical data.

Our investigator didn't recommend the complaint be upheld. She thought Oodle didn't act unfairly or unreasonably by approving the finance agreement.

Mr L didn't agree. He said that had Oodle carried out better checks at the time it would have seen the agreement was unaffordable for him.

The case has therefore been passed to me for a final decision.

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.

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

Oodle carried out checks to see if the agreement would be affordable. Oodle asked Mr L about his income – but it didn't take steps to verify it. Oodle also says it carried out an affordability assessment to see if he could meet the repayments sustainably. Mr L said he was in full-time employment with an annual income of around £36,000. He was renting his home and living with his partner.

His credit check showed he'd had some problems with previous borrowing, having had three defaults in 2016, although they had all been settled. There were no other adverse markings on his credit file. The credit check also showed he had total credit borrowing of around £27,000 out of total available credit of £35,000. Notably, he'd borrowed £13,000 by way of a loan two months earlier.

Oodle also says it relied on national statistics data to help calculate if the agreement was likely to be affordable, although it hasn't given us the information it relied on at the time. The regulator has said firms can estimate expenditure unless they know or there are indicators to suggest an estimate is unlikely to be accurate.

Looking at the particular circumstances of Mr L's complaint, however, I think Oodle ought to have carried out better checks at the time, finding out more about his regular committed spending each month and verifying his level of income. I say this given his history of defaulted accounts alongside the fact that he had only recently taken on a significant amount of borrowing elsewhere in the form of a loan – although I would add that he appears to have used it to consolidate some earlier borrowing. Also, given that the new agreement was due to be repaid over five years, I think that put a question mark over whether he would be able to repay it on an affordable and sustainable basis.

I say all this in the knowledge that Oodle's customer-base often includes people who have experienced problems obtaining credit elsewhere due to their credit history or for other reasons. I do think though in Mr L's case it would have been reasonable and proportionate for Oodle to have done more to better understand Mr L's specific financial circumstances.

I've considered what Oodle would likely have found if it had completed reasonable and proportionate affordability checks. One of the ways that Oodle could have verified Mr L's expenditure was by reviewing bank statements in the run-up to the lending decision. Those representing Mr L have provided us with copies, which include September, October and November 2021. Our investigator thought that from these there was enough to show that Mr L had sufficient disposable income to meet the cost of the new agreement alongside his existing financial commitments. I think so too and will explain why.

Mr L told us that in terms of household expenses, he paid the rent and his partner paid the utilities and council tax. Our investigator also noted that Mr L was still paying for a previous Oodle finance agreement. Mr L didn't respond to our investigator's query about this, but I can see that the agreement was no longer being paid once the new one had started.

The rules set by the Financial Conduct Authority includes guidance about what firms must do to undertake a reasonable assessment of creditworthiness before lending. This guidance is known as the Consumer Credit Sourcebook or CONC guidance. The creditworthiness assessment guidance at 5.2A of CONC says firms must undertake a reasonable assessment of a customer's creditworthiness before lending. When looking at their ability to make repayments under the agreement, businesses ought to have regard to the customer's income and 5.2A.12 states that includes *"income received by another person so far as it is reasonable to expect such income to be available to the customer to make repayments under the agreement."*

I think this is relevant here because Mr L has already told us how he and his partner were sharing the committed household spending and it's reasonable to think that there will be an element of sharing when it comes to other household spending, such as food costs as well as when it comes to discretionary spending.

I've also noted that Mr L was making use of his overdraft and having to pay fees from time to time as a result of going over it. Any level of overdraft use that goes beyond short-term or emergency use is a potential source of concern. But I don't consider Mr L's level of overdraft use ought necessarily to have prompted Oodle not to lend to him. I say this especially given that Mr L was ending his previous agreement with Oodle, and in that way freeing up sufficient funds for the new agreement which represented a much lower monthly repayment, taking some pressure off his committed monthly spending.

Having looked through the statements I'm in broad agreement that the new agreement was likely to be affordable. Mr L would be likely to have somewhere between £350 and £400 available each month. That means he could pay the new monthly instalments and still have around £250-280 left each month by way of disposable income.

To respond briefly to a point made by those representing Mr L, I've seen that he was consolidating earlier loans into the one for £13,000 taken out shortly before being approved for the loan. So I agree that it would distort his expenditure figures to include all payments as being ongoing. To be clear, I am not suggesting that Mr L and his partner would not have had to be careful with their finances going forward in order to meet all their commitments on a sustainable basis.

It follows that I don't think Mr L has been able to demonstrate that the agreement was unaffordable. So I can't reasonably conclude that Oodle ought to have thought he might struggle to make the repayments had it carried out better checks. I'm therefore not persuaded that Oodle acted unfairly in approving the finance.

I've considered whether the relationship between Mr L and Oodle might have been unfair under Section140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Oodle lent irresponsibly to Mr L 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 given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 25 July 2025.
Michael Goldberg
Ombudsman