

Complaint

Miss K has complained about a loan Oakbrook Finance Limited (trading as “Likely Loans”) provided to her. She says the loan was unaffordable and so shouldn’t have been provided.

Background

Likely Loans provided Miss K with a loan for £1,000.00 in May 2022. This loan was due to be repaid in 12 monthly instalments of £95.76. One of our investigators reviewed what Miss K and Likely Loans had told us. And she didn’t recommend that Miss K’s complaint be upheld. Miss K disagreed and asked for an ombudsman to look at his complaint.

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 unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Miss K’s complaint.

Likely Loans needed to make sure that it didn’t lend irresponsibly. In practice, what this means is Likely Loans needed to carry out proportionate checks to be able to understand whether Miss K could afford to repay before providing this loan.

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 it – 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 or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

Likely Loans says it agreed to Miss K’s application after she provided details of her monthly income and some information on her expenditure. It says it cross-checked this against information on a credit search it carried out and all of this information showed Miss K could afford to make the repayments she was committing to. On the other hand, Miss K has said she shouldn’t have been lent to.

I’ve carefully thought about what Miss K and Likely Loans have said.

The first thing for me to say is that Likely Loans didn’t just simply accept what Miss K had told it. It carried out credit searches which showed that Miss K didn’t have any significant adverse information recorded against her such as defaults or County Court Judgments (“CCJ”). Furthermore, the amount of existing credit she had was low as well.

I accept that Miss K appears to be suggesting that her actual circumstances may not have been fully reflected either in the information she provided, or the information Likely Loans obtained. Miss K has referred to what she considers to be indicators of the fact that she was reliant on credit. However, Miss K is relying on a copy of her full credit report when making these arguments. Lenders do not obtain a copy of a customer's full credit report when determining whether to lend to a customer.

Typically, a lender will obtain a snapshot of what the customer owed and whether the customer is up to date on their payments. Likely Loans did that here and I don't consider it fair and reasonable to expect it to have included information it couldn't have known about when making its lending decision.

So while I'm sorry to hear about what Miss K has told us, I can only determine this complaint by reference to what Likely Loans could reasonably be expected to know. With this in mind, Likely Loans' checks didn't appear to indicate that Miss K might have been struggling and most importantly they did not suggest that £1,000.00 was a large amount for her.

This is particularly bearing in mind that Likely Loans cross checked Miss K's declaration of income against information from credit reference agencies on the amount of funds going into Miss K's main bank account each month. Furthermore, while I accept that the interest rate on the agreement wasn't low, bearing in mind the length of the loan term, I don't agree that an APR of 29.94% was extremely high in the way that Miss K argues. In these circumstances, I'm not persuaded that the sort of checks Miss K now insists should have been carried out, needed to be carried out at the time.

For the sake of completeness, I should add that at best, even if I were to accept that further checks were necessary, which I'm not necessarily persuaded is the case here, any such checks would only have gone as far as finding out more about Miss K's regular living costs. And I've not anything to indicate that further information on Miss K's actual living costs would have seen Likely Loans make a different lending decision in this instance.

In reaching my conclusions, I've also considered whether the lending relationship between Likely Loans and Miss K might have been unfair to Miss K under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think Likely Loans irresponsibly lent to Miss K or otherwise treated her 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.

Overall and having considered everything, I don't think that Likely Loans did anything wrong when deciding to lend to Miss K - it carried out proportionate checks and reasonably relied on what it found out which suggested the monthly repayments were affordable. And, in any event, I've not been provided with anything else that suggests Likely Loans doing even more, which on the face of things it didn't need to, would have prevented it from lending either.

As this is the case, I'm not upholding Miss K's complaint. I appreciate this will be very disappointing for Miss K. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Miss K's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K to accept or reject my decision before 7 July 2025.

Jeshen Narayanan
Ombudsman