DRN-5500803

The complaint

Ms E, through a representative, says Oakbrook Finance Limited irresponsibly lent to her.

What happened

Ms E took out a 24-month instalment loan for £500 from Oakbrook on 11 December 2022. The monthly repayments were £33.36.

Ms E says Oakbrook failed to conduct proportionate checks and could have done more prior to lending.

Our investigator didn't uphold Ms E's complaint. She said the lender's checks were proportionate and Oakbrook made a fair lending decision based on the results.

Ms E disagreed and asked for an ombudsman's review. She said, in summary, it cannot be overlooked that she had been unemployed for a decade prior to her application. Relying on her declaration of income was insufficient without better verification. Her pattern of borrowing should have raised concerns – specifically, a history of using payday loans and a reliance on credit to manage her finances. Oakbrook should also have assessed whether she was using additional credit to service existing debt.

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 set out our general approach to complaints about unaffordable/irresponsible lending - including all of the relevant rules, guidance and good industry practice - on our website. Having carefully thought about everything, I think that there are two overarching questions that I need to answer in order to fairly and reasonably decide Ms E's complaint. These two questions are:

1. Did Oakbrook complete reasonable and proportionate checks to satisfy itself that Ms E would be able to repay the loan in a sustainable way without experiencing significant adverse consequences?

    - If so, did it make a fair lending decision?
    - If not, would those checks have shown that Ms E would've been able to do so?

2. Did Oakbrook act unfairly or unreasonably in some other way?

The rules and regulations in place required Oakbrook to carry out a reasonable and proportionate assessment of Ms E's ability to make the repayments under this agreement. This assessment is sometimes referred to as an affordability assessment or affordability check.

The checks had to be borrower focused – so Oakbrook had to think about whether repaying the loan would cause significant adverse consequences for Ms E. In practice this meant that business had to ensure that making the payments to the loan wouldn't cause Ms E undue difficulty. In other words, it wasn't enough for Oakbrook to simply think about the likelihood of it getting its money back, it had to consider the impact of the loan repayments on Ms E.

Checks also had to be proportionate to the specific circumstances of the loan application. In general, what constitutes a proportionate affordability check will be dependent upon a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they are seeking. Even for the same customer, a proportionate check could look different for different applications.

In light of this, I think that a reasonable and proportionate check ought generally to have been more thorough:

- the lower a consumer's income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- the higher the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the greater the number and frequency of loans, and the longer the period of time during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Ms E's complaint.

Oakbrook has provided evidence to show that before lending it asked for some information from Ms E. It asked for her gross annual income. It completed an income verification check. It estimated her monthly outgoings using national statistics. It carried out a credit check to understand her credit history and her existing monthly credit commitments. It added a buffer to her total costs. Based on these checks Likely Loans thought it was fair to lend as after taking into account this new loan repayment Ms E would have ample disposable income each month.

Ms E says these checks were insufficient but I disagree. They were proportionate given the term and low value of the loan, and the monthly repayments in relation to Ms E's verified income. And I find that Oakbrook made a fair lending decision based on the information it gathered. I'll explain why.

Ms E declared an annual income of £27,967. Using a current account turnover tool from an external agency Oakbrook was able to verify a net monthly income of £1,889.97. Its checks showed her non-discretionary outgoings were £800.80, Oakbrook added a buffer of £74.07. The credit check showed Ms E had no other active credit at the time. I find it reasonable for Oakbrook to conclude the repayments of £33.36 would be affordable on this basis.
Ms E told us that she was drowning in debt at the time and she had a poor financial history. However, the only active accounts that the credit check showed were three current accounts and two communications accounts. None of them were carrying a balance. The most recent delinquent activity was 51 months ago and she had not used payday loans for 46 months. There were no defaults listed. So there were no indicators of financial strain that Oakbrook failed to consider.

It maybe there were other accounts active that Ms E would've seen on her full credit file. There can be discrepancies between what a consumer and the lender will see as not all lenders report to all the credit reference agencies and there can be timing lags. But I can only fairly expect Oakbrook to respond to the data its checks returned.

Ms E has also raised that it cannot be overlooked that she had been unemployed for a decade – but as I have found that the income verification was proportionate this does not change my findings.

It follows I do not think Oakbrook was wrong to lend to Ms E.

I've also considered whether the relationship might have been unfair under Section140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Oakbrook lent irresponsibly to Ms E or otherwise treated her unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

I am not upholding Ms E's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms E to accept or reject my decision before 21 July 2025.

Rebecca Connelley
Ombudsman