

The complaint

Mr D complains that Oodle Financial Services Limited trading as Oodle Car Finance ('Oodle') entered into a Hire Purchase agreement with him when it was unaffordable. Mr D complained using a professional representative, but I will refer to Mr D throughout.

What happened

In December 2019, Mr D acquired a vehicle, which cost £9,999.00. After paying a deposit of £2,000, most of which settled a balance of £1,932.62 on his existing finance agreement, Mr D borrowed the remaining £9,931.62 through a Hire Purchase agreement with Oodle.

The agreement was due to run for 60 months, with 60 payments of £230.91. This meant the total amount payable under the agreement was £13,921.98, of which £3,922.98 was interest, fees and charges.

Mr D complained in December 2023. He said the lack of affordability assessment made the relationship with Oodle unfair. He said his credit history showed he'd not kept up to date with previous debts. And after struggling with repayment for this agreement, he had to borrow from elsewhere.

Oodle responded to the complaint in April 2024. It said when Mr D applied, he confirmed his living and employment status and said his salary was £27,443.00. Oodle said it then carried out an affordability assessment and it looked at credit reference agency information.

It said its affordability assessment showed the agreement to be affordable after taking into account Mr D's declared income and the credit commitments on his credit file, the estimated running costs of the car and Office of National Statistics (ONS) data on living expenses.

It said these checks were reasonable in the circumstances and satisfied its regulatory obligations to carry out proportionate checks.

The complaint was then referred to our service. An investigator considered the complaint and issued an initial assessment, rejecting the complaint. They felt it was reasonable for Oodle to assume Mr D's income had been accurately declared and they calculated this was a net monthly income of around £1,850.

They found his existing credit commitments were minimal and there wasn't any indication that he was struggling to manage these accounts. His credit report showed no County Court Judgments, defaults or Individual Voluntary Arrangements. And after factoring in ONS expenditure data, bearing in mind Mr D said he was living with his parents at the time, the investigator thought these checks were proportionate in the circumstances.

They found these checks established Mr D would have had sufficient disposable income and there wasn't anything in the information obtained which would have raised questions about Mr D's ability to sustainably repay the debt. So they thought Oodle's lending decision was fair.

They found Mr D had made all his payments on time and there was nothing to suggest Oodle was made aware of him struggling with repayments. They didn't find any other indication of Oodle having treated Mr D unfairly in any other way.

Mr D disagreed with the investigator's opinion and the complaint has been passed to me to make 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.

I'm required to take into account the relevant laws and regulations; regulators rules, guidance, and standards; codes of practice and, when appropriate, what I consider to have been good industry practice at the relevant time. I may not comment on every point that's been raised, but I have read and considered everything that's been said. Instead I will focus on what I think are the key points to reach a fair and reasonable decision. This reflects the nature of our service which was set up to be an informal alternative to the courts.

I'll make my decision based on the balance of probabilities – that means what I consider to have more likely than not happened – given the available information, including where information or evidence is missing or contradictory.

In order to reach my decision, I will first consider whether the checks were proportionate in the circumstances. If they were I will go on to consider whether Oodle made a fair lending decision. If they weren't I will consider what proportionate checks would've told Oodle.

Did Oodle carry out proportionate checks to ensure Mr D could make the monthly repayments to this agreement?

Before lending, Oodle needed to ensure it wasn't lending irresponsibly. In doing so, it had to carry out reasonable and proportionate checks to establish that the monthly payments to this agreement were affordable and that Mr D was able to repay the lending sustainably.

There are no specific checks that lenders must carry out, but they should be proportionate in the circumstances based on what the lender knows about the borrower. You might expect checks to be more thorough for a borrower, for example, with lower income or previous issues repaying credit. But you might not expect more detailed checks where, for example, the amount borrowed is low or where the borrower has a long history of maintaining credit well. But there's no hard and fast rules and what's proportionate will vary depending on the specific circumstances.

I can see Oodle captured Mr D's work status as having been in his role for a year and earning around £27,000 gross annually. Oodle has provided a copy of the credit checks it conducted. These showed Mr D had five active credit accounts, all of which were up to date, with balances totalling roughly £6,000. And one of these was a Hire Purchase agreement that was being settled as part of his agreement with Oodle. In isolation this might not raise any significant questions.

Although he had been up to date on the Hire Purchase that was being settled, the monthly payments on that agreement were lower than for the agreement he was applying for. So while the successful payment record on that account has some limited read across, it doesn't automatically mean that the higher monthly payments Mr D had to make under this new agreement were affordable.

The credit search Oodle carried out also shows that Mr D had taken out five payday loans in the ten months preceding his application, between April and August 2019. Going further back I can see Mr D had a further series of five payday loans between 12 and 18 months prior to his application. So, all in all, he'd taken ten payday loans in the 18 months prior to the application.

The last of these was only settled in October 2019, two months prior to application, but I can see Mr D also took out a sizable personal loan in that month. So Oodle ought to have considered the possibility that Mr D hadn't repaid these debts using his disposable income but rather took out additional debt in order to repay them. And this new debt made up the majority of his outstanding debts at the point he applied for finance with Oodle.

Given the nature of payday lending, taken as a short-term solution for not being able to cover your expenditure from your available income, the presence of a sustained series of payday loans, which may well have only been paid off as a result of taking on further debt, in my view, calls into question the security of Mr D's financial position.

I'm mindful of the fact that Oodle's checks needed to be proportionate to the circumstances. I'm not suggesting Oodle necessarily had to forensically analyse and interrogate all the information it obtained in disproportionate detail, however a simple review of the information it did obtain quickly reveals the issues I've outlined above.

It's not clear from the information we have that Oodle did anything to cross-check or verify the income figure Mr D declared. Oodle says it also used ONS data to estimate Mr D's expenditure – and therefore what his disposable income might be as a result.

Oodle hasn't provided the exact calculations behind this. But ONS data reflects an estimate of the average consumer's expenditure and, based on Mr D's credit history, it's unlikely this standardised data would be reflective of his situation. So it wasn't reasonable to rely on this in the circumstances. Given what I've outlined above, I'm not persuaded the assumptions made by Oodle were reasonable in the circumstances and it should have done more to cross-check or verify what it was being told.

What would proportionate checks have shown?

As I outlined above, there are no set checks that must be carried out. Instead checks needed to be reasonable and proportionate in the circumstances.

Oodle did obtain credit reference agency information which established Mr D's outstanding credit commitments. However, as far as I can tell, it didn't do anything to cross-check or verify his income or other commitments.

Given Mr D had taken a number of payday loans and appears to have only repaid this by taking out further credit, as a starting point I think it would have been reasonable for Oodle to verify his income and ask about his expenditure.

Had it done so, I can't guarantee what information it would have been provided with or what would have been evidenced in this information, if required, at the time. However I have copies of Mr D's bank statements from the time and I consider this to be a reliable resource and one I can reasonably consider when establishing what his income and expenditure information was likely to have been at the time and what would have likely been provided by Mr D if Oodle had requested it.

The evidence I have of Mr D's four-weekly income at this time ranges from £1,478.70 to £1,532.39. At the higher of these figures his net monthly income would be around £1,660,

which is almost £200 less than the figure that Oodle seemingly relied on, without first checking it. Considering the monthly payment for this agreement was £230.91, this difference could have been potentially significant.

In any event, the starting position for considering whether the agreement was affordable for Mr D is that his monthly income at this time was roughly £1,660 and proportionate checks would've likely established that.

As I've said above, it would have been reasonable and proportionate for Oodle to have at least asked Mr D about his expenditure. Had it done so I think Mr D would likely have shared information on the main areas of expenditure he had. In order to recreate that I'm again relying on his bank statements from the bank account which Mr D has himself said all of his bills and other expenditure were being paid from.

Given Mr D's living situation, his areas of committed expenditure are minimal. I've looked at his non-discretionary expenditure and added it to the credit commitments that Oodle saw. In the few months leading up to the application, Mr D generally seems to have had roughly £700 to £800 in disposable income after taking into account his debt repayments, car running costs, bills and other regular commitments.

In some months Mr D managed his finances better than others. In my view, any difficulties with the monthly payments are likely to have stemmed from areas of discretionary expenditure that were significant. However these aren't financial commitments that Oodle would have been aware of or expected to factor into any assessment of affordability. Furthermore, I have also had the benefit of being able to review Mr D's bank statements in detail in order to draw that conclusion. As I've explained, I don't think it was necessary for Oodle to obtain Mr D's bank statements and verify all the areas of his income and expenditure in this way in order to meet its obligations and so it wouldn't have reasonably become aware of the finer details of how Mr D managed his finances.

Ultimately, had Oodle verified Mr D's income and found out more about his committed and non-discretionary expenditure, which I think would have been proportionate in the circumstances, I think it would have found the lending to be affordable for Mr D.

Did Oodle treat Mr D unfairly in any other way

Mr D has said he struggled with repayments and that he wasn't supported by Oodle. Reviewing his payment record and the contact notes for the account, I can't see any evidence to support that.

I can see a note where Mr D asked Oodle to change the date of his payment on one occasion, but then seemingly chose not to pursue this any further. There's no other indication that Mr D made Oodle aware he was struggling with his payments in the way it has been alleged or that he contacted Oodle to discuss things of this nature. I note that Mr D may have borrowed on further occasions, however I haven't seen any evidence that this was directly connected with his agreement with Oodle and so I don't think he was treated unfairly by Oodle as a result.

My final decision

My final decision is that I do not uphold Mr D's complaint against Oodle Financial Services Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 19 June 2025.

Scott Walker
Ombudsman