

The complaint

Mr T complains through a representative that Oodle Financial Services Limited trading as Oodle car Finance ("Oodle") gave him a hire purchase agreement without carrying out sufficient affordability checks.

What happened

In January 2020, Oodle provided Mr T with a hire purchase agreement for a used car through a credit intermediary. The cash price for the vehicle was £14,699 and a £100 deposit was paid so £14,599 was financed. The total amount of interest, fees and charges was £11,414 and Mr T had a total finance to repay of £26,013.40. Mr T was due to make an initial payment of £481.89 followed by 58 payments of £431.89 before making a final payment of £481.89.

As of September 2024, Mr T had made all of his repayments as expected, but the agreement was due to finish in January 2025, so it's possible that Mr T has now repaid it. Oodle issued a final response letter about Mr T's complaint in April 2024, and it didn't uphold it because it considered the checks it carried out showed the finance to be affordable. Mr T's representative then referred the complaint to the Financial Ombudsman.

Mr T's complaint was then considered by an investigator who said the credit check results indicated recent financial difficulties and so Oodle ought to have reviewed what Mr T's actual monthly outgoings were rather than relying on statistical data.

However, had more checks been made, Oodle would've likely discovered Mr T only had about £70 per month left over after his living costs and his Oodle payment. Which wasn't enough to cover costs associated with having the car. The complaint was upheld.

Oodle didn't agree with the findings and so the complaint was passed to me. I issued a provisional decision explaining the reasons why I was intending to not uphold Mr T's complaint.

Both parties were asked to provide any further submissions as soon as possible, but no later than 30 April 2025. Oodle responded and said it agreed with the findings as set out in the provisional decision but we didn't hear from Mr T or his representatives.

An extract of the provisional findings follows this in smaller font and forms part of this final decision.

What I said in my provisional decision:

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 T's complaint. Having carefully thought about everything I've been provided with I'm not upholding Mr T's complaint. I'd like to 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 T 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 as part of the application process took details of Mr T's income which he declared was £31,680 per year - gross. Oodle, has provide a copy of the payslips it collected at the time. Both payslips showed different sums, but my research had led me to believe Mr T's declared income would be around £2,100 per month after tax and the payslips support that Mr T may received this sum.

Oodle also knew that Mr T lived at home with parent(s) and had lived at the same address for coming up to a year. Taking the income and residential status Oodle says it then used information extracted from the Office of National Statistics to work out Mr T's living and housing costs. Oodle explained to the investigator that it worked out Mr T's living costs to be £1,545 per month.

Oodle conducted a credit search before granting the agreement and it has provided a copy of the results that it received. I've considered these results to see whether Oodle was given any indication that Mr T was, or was likely having, financial difficulties at the time the agreement was granted. The results showed Mr T had four active accounts – a communications account, a current account and two credit cards. The records showed that at two points in the last eight months reported.

One credit card had a limit of £500 and Mr T had a balance of £493 – since that card had been opened, he had made payments as expected. The other credit card didn't appear to have been used. Oodle was also aware of three CCJs recorded between March 2016 and October 2017. None of these judgements had been satisfied. Given the age of the CCJs while they were something Oodle needed to consider I don't think this would've been an automatic barrier to lending.

Mr T had also defaulted on a current account in March 2015 – so nearly five years before the start of the agreement. It does seem that this default was historic – after all there was very little in the way of new active credit accounts since the default.

But the fact that Mr T's credit file showed signs of recent financial difficulties ought to have led Oodle to question whether it was reasonable to have relied on statistical data for his living costs. I do think the checks needed to go further before approving the finance. In those circumstances it just wasn't fair nor reasonable to have relied on statistical data to determine what his likely non-discretionary living costs were.

Oodle's checks could've gone further simply by asking Mr T what his actual living costs were rather than solely relying on statistical data either by asking for evidence from Mr T about his bills, obtaining other documentation or as I've done, it could've reviewed bank statements. Here though, bank statements haven't been provided in the format that they are usually received. Instead, Mr T's representative has provided an open banking report which provides details of the transactions in and out of the account for a period of six years. But it does contain information about Mr T's statements from the time the finance was agreed.

Oodle has suggested that this report ought to not be used because this wouldn't have been available to it at the time. But towards the end of the report appears to be copy bank statements in their entirety and so I do think it's reasonable to consider what this report shows. I say this because its likely similar to information Oodle, may well have discovered. And as I've said above, the bank statements are just one of the methods Oodle could've used.

But to be clear, I've only used the bank report to get an idea of what Mr T's regular living costs are likely to have been at the time. I've not done this because I think Oodle ought to have requested this (or bank statements) as part of underwriting this loan. After all, Oodle already had a reasonable idea about Mr T's existing credit commitments and his income.

Firstly, I just want to address Mr T's income, I think it's fair to say Oodle was on notice that it fluctuated as the two months payslips demonstrate this. Based on Mr T's declaration I would've expected to see an income of around £2,100 per month which is broadly in line with what the investigator calculated was Mr T's average monthly income. But given the amount of income Mr T declared, and what the payslips show, I don't think Oodle was incorrect in believing that his income – on average was around £2,100 per month.

The bank statements also support that Mr T lived at home with parents, as beyond the rent, which I come on to below – there is very little in the way of other regular living costs such as utilities which a person in either rented or mortgage accommodation may have.

The statement show that he had a regular payment each month which Mr T confirmed was his rent. This varied each month between £700 and £850. The investigator said these costs were around £1,000 per month but that isn't supported by the bank statements that have been provided.

I can see a one off payment made at the December 2019 for £1,000 but looking back through the report the payments fluctuated and were generally no more than £850 – so while I agree with the investigator that Mr S had rent payments – these weren't as much as the investigator accounted for. On top of this he had car tax payments of almost £11 per month, insurance of £63 per month, a mobile phone of between £115 and £180 each month, credit card payments of at least £115 each month – which given what the credit report shows is likely to be payments above the minimum required. And a TV subscription service of £12 per month.

Overall, at the most, Mr T's regular monthly living costs – before any food costs, petrol and other living costs he may have had had come at most to £1,250 and so with the Oodle payment he had monthly commitments of around £1,700 per month.

Mr T was then left at a minimum £400 to cover any other costs that he may have had – had Oodle carried out proportionate checks it would've seen the agreement was affordable for him.

There are also at times payments of around £250 each month – although these are variable and Mr T has explained that these were payments he was making to his brother for money he had borrowed. But bearing in mind the sort of checks I'd have expected Oodle to have conducted I'm not persuaded it would've included these or even found out about these payments.

Therefore, taking account of what I think a proportionate check would've likely shown Oodle, I think it would've just about decided the agreement was affordable for him.

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.

As neither party provided any further submissions, I see no reason to depart from the findings that I reached in the provisional decision and which are set out above. I still think Oodle needed to conduct further checks into Mr T's outgoings, but had it done so it would've realised he was still in a position to afford the finance. I therefore, do not uphold Mr T's complaint.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Oodle lent irresponsibly to Mr T or otherwise treated him 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

For the reasons I've explained above and in the provisional decision, I'm not upholding Mr T's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 6 June 2025.

Robert Walker
Ombudsman