DRN-5552465

The complaint

Ms T, through a representative, says Oakbrook Finance Limited, trading as Finio Loans, irresponsibly lent to her.

What happened

Ms T took out a 24-month instalment loan for £2,000 from Finio Loans on 7 December 2022. The monthly repayments were £129.88.

Ms T says a more detailed review of her circumstances were needed. There was already evidence she was in financial distress and she then had to stop working to look after her son who was seriously ill.

Finio Loans says it carried out adequate checks and they showed that the loan was affordable for Ms T.

Our investigator didn't uphold Ms T's complaint. She said the lender's checks were proportionate and showed Ms T had sufficient disposable income to afford the loan.

Ms T disagreed and asked for an ombudsman's review. She said there was enough evidence to suggest that she was not in a financial position to take on this loan. She had no income at this time and was reliant on relatives to pay her bills. Also, she had previously defaulted on multiple credit accounts so further checks should have been completed.

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 T's complaint. These two questions are:

1. Did Finio Loans complete reasonable and proportionate checks to satisfy itself that Ms T 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 T would've been able to do so?

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

The rules and regulations in place required Finio Loans to carry out a reasonable and proportionate assessment of Ms T'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 Finio Loans had to think about whether repaying the loan would cause significant adverse consequences for Ms T. In practice this meant that business had to ensure that making the payments to the loan wouldn't cause Ms T undue difficulty.

In other words, it wasn't enough for Finio Loans to simply think about the likelihood of it getting its money back, it had to consider the impact of the loan repayments on Ms T. 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 T's complaint.

Before lending Finio Loans gathered information from Ms T and external sources. It asked for her income and employment status, and checked this by asking for a payslip. It estimated her housing and living costs based on national statistics. It added a buffer for inflation. It checked her credit file to understand her credit commitments and repayment history. Based on these checks combined Finio Loans concluded Ms T would have sufficient disposable income each month after taking on this loan.

I think these checks were proportionate give the term and value of the loan and the stage in the lending relationship. And I find Finio Loans made a fair lending decision based on the information it gathered. I'll explain why.

Finio Loans learnt that Ms T was employed with a net monthly income of £2,182. Ms T says she had no income at the time, but I have seen the copy of her payslip dated 30 November 2022 that shows she was receiving the income she declared. Ms T told us her circumstances changed in 2023, she had to stop working as her son needed care, but that is not something Finio Loans could have anticipated. Her estimated housing and living costs (including the buffer) were £911.01. Her credit commitments were £738.21 leaving a disposable income of £402.90 after making this new loan repayment. So, it was reasonable for Finio Loans to conclude the loan was affordable on a pounds and pence basis

But Finio Loans also had be sure repaying the loan would not cause any financial harm to Ms T. The credit check showed she had £33,200 of existing debt, though around 85% of that was on a single motor hire purchase agreement. All her active accounts were well-managed with no recent arrears. There was some adverse data but it was historic – the most recent default was 28 months ago and all defaulted accounts were now settled. It was therefore reasonable for Finio Loans to conclude Ms T's financial position had stabilised. There were no CCJs or records of bankruptcy. Ms T was not using payday loans – the only active loans reporting at the point of application were four communications loans and the hire purchase agreement.

So I can't agree there were signs of current financial distress that Finio Loans overlooked. It follows I do not think it was wrong to lend to Ms T.

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 Finio Loans lent irresponsibly to Ms T 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 T's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms T to accept or reject my decision before 12 September 2025.

Rebecca Connelley
Ombudsman