

The complaint

Mr W complains that OAKBROOK FINANCE LIMITED (Oakbrook), trading as Finio Loans, lent to him irresponsibly.

What happened

In November 2022, Mr W took out a loan with Oakbrook for £1,000 with repayment by twelve monthly instalments of £113.23. Mr W maintained his repayments for five months and then settled the loan early in May 2023.

In July 2023, Mr W took out another loan with Oakbrook for £1,000 with repayment by twelve monthly instalments of £105.87. Mr W maintained his repayments for seven months and settled the loan early in March 2024.

In October 2024, Mr W contacted Oakbrook to make a complaint about the above two loans. He said they were unaffordable, and believed Oakbrook had acted irresponsibly when approving his loan applications.

Mr W explains that, when he applied for the first loan, he had poor credit, and his debt was spiralling out of control. Mr W considers that Oakbrook should've tried to verify his income and expenses from his bank account statements, rather than relying on the Office for National Statistics (ONS) to estimate his outgoings.

Mr W requested a refund of interest and charges from Oakbrook and the deletion of any negative information from his credit record.

Oakbrook rejected his complaint saying it had carried out proportionate checks at the point of sale and were satisfied both loans were affordable.

Mr W escalated his complaint to our service; however, our investigator couldn't see that Oakbrook had done anything wrong.

As Mr W remains dissatisfied his complaint has been referred to me to look at.

Provisional Decision

I issued a provisional decision on 20 May 2025, and this is what I said:

I've considered the relevant information about this complaint.

Our investigator didn't uphold this complaint. But based on what I've seen so far, there will be a different outcome to what our investigator proposed. Before I issue my final decision, I wanted to give everyone a chance to reply.

The deadline for both parties to provide any further comments or evidence for me to consider is 3 June 2025. Unless the information changes my mind, my final decision is likely to be along the following lines.

If OAKBROOK FINANCE LIMITED trading as Finio Loans accepts my provisional decision, it should let me know. If Mr W also accepts, I may arrange for the complaint to be closed as resolved at this stage without a final decision.

What I've provisionally 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.

Having done so, based on the information I've seen so far, my provisional decision is to uphold this complaint, and I'll explain why.

I've carefully considered all the points both parties have made, and I'll focus on what I think are the important points to reach a final decision.

Oakbrook needed to take reasonable steps to ensure it didn't lend irresponsibly. Rather than approach the loan application from the perspective of the likelihood of getting its money back, they had a responsibility to ensure that the loan repayments wouldn't cause Mr W undue difficulty or significant adverse consequences.

That meant Mr W should've been able to meet repayments out of normal income without having to borrow to meet the repayments, without failing to make any other payments he had a contractual or statutory obligation to make and without the repayments having an adverse impact on his financial situation.

Oakbrook's checks had to be 'proportionate' to the specific circumstances of the loan applications. In general, a proportionate affordability check will be dependent upon factors such as the particular circumstances of the consumer, including their current situation and any indications of vulnerability or financial difficulty and the amount and cost of credit they are seeking.

In their 28 October 2024 complaint final response letter to Mr W, Oakbrook said their affordability checks included:

- *'A review of your income, outgoings, information that we obtain from the Office for National Statistics and information obtained from yourself to assure ourselves that you could afford the loan and the repayments would be sustainable.'*

Having reviewed the figures Oakbrook obtained, both loans looked as though they were affordable. However, there appears to be important information that Oakbrook didn't have to hand because:

- *They didn't ask Mr W to explain the purpose of either loan*
- *I can't see they asked Mr W to confirm and / or breakdown his monthly expenditure*
- *In relying upon ONS data and not cross referencing Mr W's expenditure through checking 'Open Banking for enhanced due diligence' or information received from Mr W, they:*
 - A. *Significantly underestimated his monthly expenditure*
 - B. *Missed signs of financial instability*
 - C. *Didn't realise his bank accounts were consistently going overdrawn by high amounts*

I recognise the loans were small amounts for Oakbrook, that they advertise simplicity and as, manual checks are timely and inconvenient, they have a quick, easy standard application checking process.

With regard to Mr W's applications, when Oakbrook say, 'When making a decision on whether to accept an application, the entirety of the person's financial situation is

taken into consideration' and they make a 'robust calculation', for the reasons explained above, I can't see that this was the case.

Oakbrook have clarified there are situations where they are 'asking for payslips etc' and do use Open Banking for enhanced due diligence. But only if there is something on the application they want to clarify.

So, it's clear that Oakbrook took a risk-based approach here, deciding to rely on ONS data and not use Open Banking despite:

- Not having information on the loan purpose or details of Mr W's expenditure*
- Knowing Mr W was under financial pressure in the form of fourteen active credit accounts indicators*

I appreciate Oakbrook were seeing credit information, including no recent defaulted accounts or recent CCJs or accounts in arrears, which with ONS calculations made the loans appear affordable. Also, I understand Mr W requested the loans, was able to pay off the loans early and I can't see he raised any concerns with them including his addiction to gambling.

However, I'm persuaded from his submissions and bank statements that Mr W was in a financial crisis. Also, Oakbrook weren't seeing a full picture of his finances.

I think a reasonable and proportionate check ought generally to have been more thorough here and included analysis against application and Open Banking information to a) verify the data they had including ONS estimates b) validate their comment that 'all of his accounts were being run well' which I can't see was the case here.

If Oakbrook had asked Mr W more questions and used Open Banking, they would've seen the ONS data estimate they used for expenses was incorrect and recalculated his disposable income.

I think they then would've spoken to Mr W, asked him questions about his expenditure, asked to see his bank statements and refused him the loans. This is because his statements show his bank accounts weren't being 'run well'. His accounts showed significant financial instability through very high expenditure, regular cash withdrawals, reliance on overdrafts and overdraft fees. Also, there were questions to be asked about pay day loans. And for the second loan questions about visible gambling transactions.

Regarding the second loan, I can't see that Oakbrook enquired about the purpose of this either. I found this surprising considering Mr W had only recently paid off the first loan. If they had enquired, I think Mr W would've told them he was in financial difficulty and had to sell his property.

Although I don't think Oakbrook should've made the first loan decision, I think this would've meant it would've been proportionate for more thorough (Open Banking) checks for the second loan. Having seen Mr W's statements, his financial difficulties and gambling would've then been evident to Oakbrook.

So, having considered the above and all the information on file, based on the information I've seen so far, I consider that Oakbrook should've been more diligent and not given Mr W either of the two loans. Therefore, my provisional decision is to uphold this complaint against Oakbrook.

Putting things right

As I don't think Oakbrook shouldn't have given Mr W the two loans, I don't think it's fair or reasonable for him to have paid any interest or charges under the credit agreement.

So, Oakbrook should:

- Refund all interest and any fees or charges that Mr W paid on the loans*
- Plus pay 8% simple interest per annum* on these overpayments from the date they were paid until the date this complaint is settled*
- Remove any adverse information regarding these loan accounts from Mr W's credit file*

** HM Revenue & Customs requires Oakbrook to take off tax from this interest. Oakbrook should give Mr W a certificate showing how much tax it's taken off if he asks for one*

My provisional decision

My provisional decision is to uphold this complaint against OAKBROOK FINANCE LIMITED trading as Finio Loans. So, they should:

- Refund all interest and any fees or charges that Mr W paid on the loans*
- Plus pay 8% simple interest per annum* on these overpayments from the date they were paid until the date this complaint is settled*
- Remove any adverse information regarding these loan accounts from Mr W's credit file*

** HM Revenue & Customs requires Oakbrook to take off tax from this interest. Oakbrook should give Mr W a certificate showing how much tax it's taken off if he asks for one*

This is subject to any comments that either OAKBROOK FINANCE LIMITED trading as Finio Loans or Mr W may wish to make.

These must be received by 3 June 2025.

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.

Further to my above provisional decision:

Mr W responded on 20 May 2025 to say he accepted. However, Oakbrook haven't provided any further comment or information for me to consider.

So, as no further arguments or evidence have been produced in response to my provisional decision, my view remains the same.

I therefore adopt my provisional decision and reasons as my final decision.

My final decision

My final decision is that I uphold this complaint against OAKBROOK FINANCE LIMITED trading as Finio Loans and I require them to:

- Refund all interest and any fees or charges that Mr W paid on the loans
- Plus pay 8% simple interest per annum* on these overpayments from the date they were paid until the date this complaint is settled
- Remove any adverse information regarding these loan accounts from Mr W's credit file

* HM Revenue & Customs requires Oakbrook to take off tax from this interest. Oakbrook should give Mr W a certificate showing how much tax it's taken off if he asks for one

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 9 July 2025.

Paul Douglas
Ombudsman