DRN-5699799

Complaint

Mr T complains that Oodle Financial Services Limited (trading as "Oodle" Car Finance) unfairly entered into a hire-purchase agreement with him.

He's said that the monthly payments to this agreement were unaffordable and so he shouldn't have been accepted for it.

Background

In November 2019, Mr T sought to acquire a used car. The cash price of the vehicle was £9,423.84. However, Mr T's existing car was on finance and that agreement still had a balance of £1,954.45 after the part-exchange amount he was offered was deducted from the amount required to settle that agreement. As a result, Mr T required a further £1,954.45 in addition to the purchase price of his selected vehicle. So Mr T applied for finance for a total amount of £11,378.29 in order to enable him complete his purchase.

Oodle accepted Mr T's application for finance and entered into a 60-month hire-purchase agreement with him. The loan had an APR of 13.1%, interest, fees and total charges of £3,940.11 (made up of interest of £3,840.11, a document fee of £50 and an option to purchase fee of £50). And the balance to be repaid of £15,318.40 was due to be repaid in a first instalment of £303.64, followed by 58 monthly instalments of £253.64 and then a final instalment of £303.64.

As I understand it, Mr T made three of his monthly payments, before applying for two pandemic payment breaks. The most up to date information that I've been provided with shows that while Mr T made a further payment of £125 in May 2021 he never returned to making his contractual repayments. No further payments have been made since May 2021 and at the time of this decision the vehicle remains in Mr T's custody.

Mr T complained that the agreement was unaffordable for him and Oodle shouldn't have provided it to him. Oodle didn't uphold Mr T's complaint. As far as it was concerned it had carried out proportionate checks which showed that the agreement was affordable and that it was reasonable to lend. By the time Oodle had issued its final response, Mr T had already referred his complaint to our service[1] as more than eight weeks had already passed since his complaint had been received by Oodle.

One of our investigators reviewed everything provided and concluded that proportionate checks ought reasonably to have shown Oodle that it shouldn't have entered into this agreement with Mr T as it was unaffordable for him. As Oodle lent to Mr T in these circumstances it failed to treat him fairly and reasonably. So the investigator upheld the complaint.

Mr T accepted the investigator's assessment in full. Oodle accepted the investigator's conclusion that it shouldn't have lent to Mr T and also agreed that it should collect the car

[1] For the sake of completeness, I would add that Mr T has also complained that Oodle unfairly failed to disclose the commission that it paid to the motor broker that arranged his finance.

from him. However, it was unhappy with some aspects of how the investigator thought that it should calculate what Mr T needed to repay going forward. As the investigator wasn't persuaded to amend his conclusion, Oodle asked for an ombudsman to consider the case.

My provisional decision of 8 July 2025

I issued a provisional decision – on 8 July 2025 - setting out why I wasn't intending to direct Oodle to follow the investigator's recommendation on how to put things right.

In summary, I thought that the investigator's recommendation was overly generous and so I instead set out a method of putting things right which, in my view, settled matters in a way that was fair and reasonable in all the circumstances of Mr T's complaint.

Oodle's response to my provisional decision

Oodle confirmed that it accepted my provisional decision and had nothing further to add.

Mr T's response to my provisional decision

Mr T disagreed with my provisional decision. In summary he said he:

- accepts that he continued to use the car despite ceasing payments from 2021. However, this was not as a matter of convenience but out of necessity.
- incurred significant costs (of at least £3,000) maintaining the car which show he wasn't looking to exploit the asset.
- didn't resist attempts to recover the vehicle. He did engage in attempts to settle the finance at a reduced rate with Oodle's solicitors. However, there were no further discussions after September 2021.
- does not accept the outstanding balance of over £11,000 minus the proceeds of the sale claimed by Oodle. He believes that his liability should be capped at the shortfall on his previous agreement carried into this one (£1,954.45).
- suffered significant emotional and practical impact as a result of Oodle reporting negative information to credit reference agencies.

My findings

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, including what we typically expect a lender to put things right should we consider that it failed to act fairly and reasonably, on our website. And I've used this approach to help me decide Mr T's complaint.

Oodle has accepted that it shouldn't have lent to Mr T. As this is the case, I do not need to consider whether Oodle acted fairly and reasonably towards Mr T in deciding to lend to him. For the sake of completeness, I would add that I've not looked at Oodle's lending decision or reached a determination on whether it acted fairly and reasonably in relation to this matter. It therefore should not be assumed that I would also have reached the same conclusion as the investigator had I myself reviewed this matter.

Nonetheless, given Oodle accepts that it shouldn't have lent to Mr T, this means that I merely need to consider whether the investigator's proposed method of putting things right, which Oodle disagrees with, is fair and reasonable in all of the circumstances of the complaint.

Having carefully considered matters, including the responses to my provisional decision, I remain satisfied that the investigator's recommendation is not fair and reasonable and do not propose to direct Oodle to redress matters as he suggested. As this is the case, I've reached my own conclusion on what Oodle should now do. I'll now proceed to set out what that is and why I think this.

Our approach to putting things right and what we typically tell a lender to do in a complaint about irresponsible and unaffordable lending

It might help for me to start by explaining that in broad terms, where I find that a business has done something wrong, I'd normally expect that business – in so far as is reasonably practicable – to put the consumer in the position they *would be in now* if that wrong hadn't taken place. In essence, in this case, this would mean Oodle putting Mr T in the position he'd now be in if the agreement hadn't been entered into in the first place.

But when it comes to complaints about irresponsible lending this isn't straightforward. For reasons I'll explain further on, the position is even more complicated where goods are involved. Mr T did enter into the agreement and *was,* at least, given the car in question. He also had the vehicle for over five and a half years. So, in these circumstances, I can't undo what's already been done. And it's simply not possible to put Mr T back in the position he would be in if he hadn't been sold the car in the first place.

As this is the case, I have to think about some other way of putting things right in a fair and reasonable way bearing in mind all the circumstances of the case. Our website sets out the main things we consider when looking at putting things right in cases where we conclude that a lender did something wrong in irresponsible/unaffordable lending complaints.

We typically say the borrower should repay the amount lent and the lender refunds any interest, fees and charges the borrower paid. This is because the borrower will have had the benefit of the credit they were provided with and it's usually the extra paid over and above this – any interest fees and charges – that will have caused the consumer to lose out.

The position in Mr T's case

In this case, ensuring Mr T paid no interest and charges would limit him to paying back the £11,378.29 Oodle originally lent to him (including the £1,954.45 paid to cover the balance remaining on Mr T's existing agreement) and Mr T taking ownership of the car. Ordinarily, where a consumer has had custody of the car for longer than the agreement was due to run for this would be appropriate. This is usually because by this point the consumer will have already repaid the amount lent.

However, in this case, Mr T hasn't made a payment since May 2021. So I don't think that a refund of the interest fees and charges is appropriate as Mr T isn't anywhere near having repaid £11,378.29.

I've therefore given careful thought to how else it might be fair and reasonable to put things right for Mr T bearing in mind Oodle accepts it shouldn't have entered into this hire-purchase agreement with him. I also need to, as far as practicable, ensure that neither party ends up in a better position than they would be had the agreement not been taken.

Our investigator's view concluded that the fair starting point here would be for Oodle to end Mr T's agreement. I'm also satisfied with this aspect of how Oodle should put things right. So

I don't propose to direct Oodle to do anything different in relation to this matter. And to start with Oodle should end Mr T's agreement.

The investigator's proposed settlement

Our investigator concluded that Mr T should pay the £1,954.45 that was used to settle his previous agreement. As this amount was outstanding on the previous agreement and Mr T would have had to pay it to his existing lender had Oodle not entered into this hire-purchase agreement with him, I'm satisfied that Mr T should repay this amount.

I now turn to the remaining £9,423.84.

The investigator concluded that Mr T should repay the difference between £9,423.84 and what he considered to be the market value of the vehicle. At the time of his assessment, the investigator believed the market value of the car to be £5,189.00. So, in his view, Mr T needed to pay a total of £6,189.29 (the £1,954.45 for the shortfall plus the £4,234.84 difference between the car's purchase price of £9,423.84 and the market value of £5,189.00).

I've considered the screenshot that the investigator has relied on in reaching his conclusion on the current market value of the vehicle. However, this is a single 'desktop' valuation without any inspection or reference to the actual condition of the car. And the actual value of the car will be dependent on how the vehicle is sold (for example, privately or whether it is sold at auction etc) and its condition. Furthermore, Mr T has confirmed that the car has now completed around 160,000 miles.

So while the screenshot is not wholly irrelevant, I don't think that it usefully sets out the current valuation of the car. This is particularly as the same screenshot shows at least one example of a car that has a significantly lower mileage (around 110,000 miles) being sold for a lower price than £5,189.00.

As I'm not persuaded by the investigator's conclusion on the market value of the car, it follows that I'm satisfied that the investigator's proposed method of putting things right does not result in a fair and reasonable outcome.

I'll now set out what I think Oodle should do instead.

What I think it would be fair and reasonable for Oodle to do to put things right

As Mr T has had the car for a significant period of time, I do think that it is fair to take account of the fact the car will have depreciated in this time and that Mr T will have had the use of it. So I do think it's fair and reasonable to expect Mr T to have to pay an amount to account for having the car and his use of it.

There isn't an exact formula for working out fair usage. But in deciding what's fair and reasonable we'd typically think about things like the amount of interest charged on the agreement, the customer's usage of the car and what sort of costs they might have incurred to stay mobile if they didn't have the car financed.

I've not been provided with a copy of the sales invoice at the time of the purchase. So I don't know for certain what the mileage was at this time. I note that Mr T has said that the car had completed around 92,000 miles at the point of sale. However, government records show that an MOT was completed on the day the car was supplied to Mr T and the recorded mileage at the time was 82,228. Furthermore, the mileage at the time of the next MOT, which was completed in December 2020, was 91,954.

In these circumstances, I think it is more likely than not that the mileage of the car was around 82,000, rather than 92,000, when it was supplied to Mr T in November 2019.

Mr T confirmed that the car had completed just under 160,000 miles just before the investigator completed this assessment. In these circumstances, I think it's fair to say that Mr T completed close to 80,000 miles in the 68 months or so that he's had custody of the car. As Mr T has continued driving the car, the mileage completed by the car will have increased by the time of this decision.

In his response to my provisional decision, Mr T has reiterated that he had to use the car because his daughter is disabled and has only able to travel comfortably and safely in this specific vehicle. I'm sorry to hear what Mr T has said about his daughter. However, notwithstanding his reasons for using the car as much as he did, it remains the case that Mr T will have incurred significant costs to cover the 80,000 miles he completed should he not have had the use of this car.

It also remains the case that Mr T completed a large part of the mileage after he'd ceased making payments at all to this car. The fact that Mr T may have incurred maintenance costs, which he would have incurred, even if he kept his previous vehicle doesn't change that.

I've also noted what Mr T has said about trying to return the car and in the alternative set up an affordable payment plan with Oodle. In my provisional decision, I said that I wasn't persuaded that Oodle had refused to take the car back and it's possible Mr T actually resisted attempts to recover it. Since my provisional decision Mr T has disputed resisting Oodle's attempts to recover the car. He's acknowledged being in correspondence with Oodle's solicitors but says that no formal recovery proceedings had commenced.

Having considered everything, I remain satisfied that Oodle did instruct solicitors in 2021. Although, I haven't seen anything to suggest that the solicitors went as far as instigating formal court proceedings. It also isn't in dispute that Mr T attempted to as he says *'short settle'* the finance. Of course, Mr T was free to offer to settle the finance at a reduced rate. But Oodle didn't have to accept Mr T's offer, particularly as Mr T sought to reattempt to negotiate an even lower offer once Oodle had accepted his initial one.

In any event, what is most importantly of all and is the point I sought to make in my provisional decision which, on reflection, I do accept could have been made more clearly, I'm not persuaded that Oodle didn't accept a return of the car. Indeed, it would be incredibly odd for a lender to appoint solicitors and then refuse a customer's request to voluntarily return the car in question.

Furthermore, even if Mr T wasn't able to return the car and while I do sympathise with what Mr T has said about his daughter, I'm not persuaded that he had to drive this car 80,000 miles. It follows that I'm also not persuaded by the argument Mr T was forced to retain the car and use it.

Therefore, I'm satisfied that any direction I make has to take account of Mr T's usage of the car, in order for it to be fair and reasonable. As I explained in my provisional decision, the sheer amount of miles completed and the use a generally purchaser would reasonably expect to get from a car purchased on finance, all point to there being a reasonable argument for saying that it would have cost Mr T £9,423.48 to stay mobile over 80,000 miles across five and a half years, if he didn't have this car.

However, as I've previously explained, I also need to, as far as practicable, ensure that neither party ends up in a better position than they would be had the finance not been provided. I think that Mr T returning the car and the balance being reduced to £1,954.45 (to only cover the shortfall from Mr T's previous vehicle) in the way he now argues it should, despite previously accepted the investigator's assessment, would place him in a far better position than he would be in had the finance not been provided.

This is particularly as Mr T would have had to pay the shortfall from the previous agreement, carried out into this agreement, much sooner than now. In these circumstances, I'm not persuaded that Mr T's proposal provides an equitable solution in this instance.

Equally, while there is an argument to say that Mr T would have incurred costs equivalent to the purchase price of the car to stay mobile for the amount of miles and period of time he had the car, this would mean Oodle receiving significantly more than the cash price overall as it would also receive the proceeds of the sale in addition to the amount it lent. I don't think that this would be fair and reasonable in all of the circumstances bearing in mind its acceptance that it shouldn't have entered into this hire-purchase agreement with Mr T either.

In these circumstances, I think that the fair and reasonable thing for Oodle to do would be for it to deduct the amount it receives when it sells the car from the purchase price. In reaching this conclusion, I accept that as it is a lender and not a motor dealer, Oodle is likely to sell the car through auction and the amount received will be considerably less than the £5,189.00 deduction that the investigator proposed. However, I think that what Oodle actually manages to sell the car for will more accurately account for the actual condition and value of the car.

That said, I realise that Mr T may feel that this scenario does not provide an incentive for Oodle to sell the car for a reasonable price, or one that he may be able to obtain himself. I note that in Mr T's response to my provisional decision, he has set out he's not happy with this and hasn't suggested that this is something he'd look to do.

Nonetheless, I would reiterate that Mr T does retain the option of selling the car for an amount that he is happy with as long as the proceeds are paid directly to Oodle. Oodle will then reduce the £9,423.48 by the amount Mr T is able to sell the car for. Should it be the case that Mr T has not arranged a sale within 28 days of accepting my final decision, or he does not wish to sell it himself, then Oodle is entitled to recover the vehicle, sell it and reduce the amount owed by whatever amount it manages to obtain.

I accept that neither party will be fully satisfied at this resolution. However, I'm satisfied that both parties will have had an opportunity to sell the car and therefore reduce the amount owing. I think that this strikes a balance between the interests of the parties and reaching an equitable outcome.

Furthermore, I consider that both parties ought to see how my resolution is broadly in line with our overall principles on how to put things right in cases of irresponsible and unaffordable lending, which I've already set out.

Mr T's credit file

I note that Mr T has referred to the impact of the negative information recorded against him. But as I've already explained he's been significantly behind with his payments. Indeed, the total amount of the payments he's made are less than the shortfall taken into this agreement from his previous one. Oodle has a duty to report accurate information to credit reference agencies.

This is particularly as lenders and other institutions will rely on a customer's repayment record in order to decide whether to provide further credit or other service to a customer. I wouldn't expect a lender to report that a customer has made payments when they have not been made. So, in these circumstances, I don't think it was unfair for Oodle to report what it did to credit reference agencies.

As I explained in my provisional decision, the investigator, as part of what he thought Oodle should do to put things right, recommended that Oodle should now remove any adverse information regarding this hire-purchase agreement from Mr T's credit file. It's fair to say that we'd typically expect a lender to remove any adverse information reported about a credit agreement, from the borrower's credit file, where a complaint is upheld for irresponsible lending and it is possible to do so.

However, such amendments can only take place where it is possible for a lender to also report any balance that still may be due. This is important because the investigator appears to have overlooked the significant balance that Mr T will be left to repay once the car is either sold or returned. There was no explanation of how adverse information could be removed in these circumstances.

This amount will remain outstanding at a time when the finance should already have been repaid in November 2024. So I can't see how it is possible for Oodle to remove any adverse information in these circumstances. It can't report that Mr T is up to date on this agreement when the expected completion date has long since passed.

I've also given thought to whether the agreement should instead be removed entirely from Mr T's credit file. But the amount that will be owed means that I don't think that this would be equitable. Oodle removing this agreement from Mr T's credit file would mean that other potential lenders would be unaware of the fact that Mr T still owes Oodle a not inconsiderable sum and wouldn't be able to take this into account in any assessment of what he may be able to afford and any decision to lend to him. And it's likely that this would result in Mr T being lent further funds as it would appear to owe less than he actually does.

In these circumstances, I think that Oodle removing the agreement completely from Mr T's credit file would be counterproductive and arguably not in Mr T's best interests, or those of any potential lender.

As a balance will be outstanding and Oodle cannot report this in a way that would not present as adverse, I think that Oodle should simply ensure that it correctly reports the amount that will be owed once all adjustments have been made at the conclusion of this complaint. If and when Mr T repays the outstanding balance and he believes that any adverse information should be removed, this is a matter that he can take up with Oodle at that stage.

In reaching my conclusions, I've also considered whether the lending relationship between Oodle and Mr T might have been unfair to Mr T under section 140A of the Consumer Credit Act 1974.

However, I'm satisfied that what I propose to direct Oodle to do, results in fair compensation for Mr T given the overall circumstances of his complaint. For the reasons I've explained, I'm also satisfied that, based on what I've seen, no additional award is appropriate in this case.

Undisclosed commission

For the sake of completeness, I should explain that I've noted that Mr T has also complained about the commission Oodle paid to his motor dealer. He says that this was not disclosed to him and in breach of the rules, regulations as well as Oodle's obligations.

However, what I'm directing Oodle to do to put things right for Mr T ensures he pays no interest and effectively unwinds the impact of any commission that Oodle might have paid to the motor dealer for introducing Mr T.

As this is the case, I don't think there is any need for me to look at the complaint about commission as upholding this part of the complaint wouldn't, in any event, make a difference to the overall outcome.

Oodle's actions during the course of Mr T's complaint

Finally, I've seen that Mr T is unhappy at the way that Oodle has handled his complaint. For example, I've seen that Mr T feels that Oodle has failed to keep him updated and hasn't provided him with information he has asked for.

I can appreciate why Mr T may find Oodle's actions frustrating. However, complaint handling isn't an activity which falls within my jurisdiction. Furthermore, our ability to look at complaints that solely regard the handling of a complaint about a regulated or covered activity, was considered by the High Court in *R (Mazarona Properties Ltd) v Financial Ombudsman Service*[2].

The court held that in order to be covered by our Compulsory Jurisdiction, a complaint must be about *"the provision of or failure to provide a financial service or a redress determination"*. The court went further and confirmed that a complaint about the handling of a complaint isn't a complaint about the provision or failure to provide a financial service.

Ultimately, it is the regulator which monitors firms' actions in relation to the complaint handling rules and which deals with any non-compliance in this area. So while I appreciate that Mr T is unhappy at the way Oodle handled his complaint, I'm afraid that this isn't a matter I can consider or award him compensation for.

Fair compensation – what Oodle needs to do to put things right for Mr T

Overall and having considered everything, I'm satisfied that it would be fair and reasonable for Oodle to put things right for Mr T by:

1. Ending the hire-purchase agreement and limiting the total amount due from Mr T to £11,378.29.

2. If within 28 days of my final decision being accepted, Mr T is able to sell the car and arrange for payment to be made to Oodle, reduce the £11,378.29 by the amount the car is sold for.

   OR

   Should Mr T not sell the car within 28 days of my final decision being accepted, or Mr T decide he does not wish to sell the car, Oodle should collect the car from Mr T at no cost to him. Mr T is encouraged to act in good faith and cooperate with the swift recovery of the car should this be necessary. The price Oodle is able to obtain for the car – minus any reasonably incurred sale costs – should be used to reduce the £11,378.29.

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[2] *R (Mazarona Properties Ltd) v Financial Ombudsman Service*[2] [2017] EWHC 1135 (Admin)

3. Deducting the payments Mr T has already made to it under this agreement from the amount due after step 2.

4. Mr T will be left with an outstanding balance. So Oodle should arrange an affordable payment plan, which fairly and reasonably takes in to account what Mr T is able to pay, towards this. Once any amount has been cleared and Mr T no longer owes Oodle anything, it should consider whether it is fair and reasonable to remove any adverse information it may have recorded with credit reference agencies about this agreement.

My final decision

For the reasons I've explained above and in my provisional decision of 8 July 2025, I'm upholding Mr T's complaint and directing Oodle Financial Services Limited to put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 21 August 2025.

In his response to my provisional decision, Mr T has said that he may wish to take matters elsewhere if the outcome does not change. This is a course of action he is free to explore. However, should Mr T reject this final decision or not accept it before 21 August 2025, it will not be binding on Oodle. Should Mr T seek to accept the decision (or my direction) at a later date, or after he has already rejected it, it will be a matter for Oodle to decide whether it is willing to settle the complaint in the way that I've directed above.

Jeshen Narayanan
Ombudsman