DRN-5707625

The complaint

Mr T complains that OAKBROOK FINANCE LIMITED was irresponsible in its lending to him. He wants a refund of all interest and charges applied to his loan and any adverse information regarding the loan removed from his credit file. Mr T also wants an apology from Oakbrook and for Oakbrook to review its lending practices to ensure vulnerable customers are properly protected in the future.

What happened

Mr T was provided with a £2,500 loan by Oakbrook in November 2021. The loan term was 24 months, and Mr T was required to make monthly repayments of £135.25.

Mr T said that at the time he applied for the loan he was already receiving debt advice and support due to ongoing financial difficulties. He said that Oakbrook failed to carry out thorough affordability checks to ensure he could manage the repayments and didn't consider his mental health situation.

Oakbrook issued a final response to Mr T's complaint dated 22 April 2024. It said it completed affordability and credit checks before the loan was provided and verified Mr T's declared income. It said that based on its checks the loan wasn't irresponsible.

Mr T referred his complaint to this service.

Our investigator thought Oakbrook's checks carried out before the loan was given were reasonable. As these suggested the loan was affordable for Mr T they didn't uphold this complaint.

Mr T didn't accept our investigator's view. He didn't believe that his mental health and vulnerability at the time had been properly considered saying he was suffering from anxiety and depression and was heavily medicated. He said this impaired his judgment and decision-making capacity. He said he was in a debt management plan, had over £20,000 of debt and was using payday loans which he said were indicators of financial difficulty and should have prompted further checks regarding vulnerability.

As a resolution hasn't been agreed, this complaint has been passed to me, an ombudsman, to issue a 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.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don’t set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

Mr T was provided with a £2,500 loan which required monthly repayments of £135.25. As part of the loan application process, Mr T was asked about his employment, income and residential status and a credit check was undertaken. Mr T declared that he was employed with an annual income of £30,000 and was a tenant. This gave a calculated net monthly income of around £2,005 which Oakbrook verified using current account turnover data. Oakbrook’s credit check showed that Mr T was up to date on his active credit commitments and while he did have defaulted accounts recorded these were historic. Based on Mr T’s credit check and the other data from his application and third-party sources, his disposable income after the Oakbrook loan repayments was around £616.

Having considered the size of the loan and the repayments compared to Mr T’s income, his calculated disposable income and as he appeared to be managing his active accounts without issue, I think the checks carried out were proportionate. However, just because I think reasonable checks were undertaken, it doesn’t necessarily mean that the loan should have been given. To assess that I have considered the information received through the check to see if this should have raised concerns that meant further checks were needed or the loan shouldn’t have been provided.

The credit checks carried out by Oakbrook showed Mr T had active accounts totalling around £2,329. This consisted of a loan balance of £58 and credit card balances of £2,271. Having looked through Mr T’s credit report this appears reasonable. Based on this, I do not find I can say that Mr T’s amount of active credit commitments suggested issues and as he was managing these commitments, I do not think Mr T’s active credit commitments should have raised concerns about further lending.

Mr T had experienced previous financial difficulties and had defaulted accounts. However, these were recorded around 60 months before this loan application and so I accept these would be treated as historic and wouldn’t necessarily mean that further credit shouldn’t be provided. However, as there were balances still outstanding on the defaulted accounts (recorded as around £14,863), it was right that payments towards these needed to be included in the affordability assessment.

Mr T has said that he was in a debt management plan and shouldn’t have taken on further debt while the plan was in place. He has also said that he was still in financial difficulties and his amount of debt showed this. He said that further questions should have been asked and that his vulnerability should have been identified. I am sorry to hear of the difficult time Mr T has experienced and I note his comment about his mental health when the loan was given and his ability to make decisions. However, I have to consider what I think Oakbrook should have been reasonably aware of and whether there were reasons why further questions were needed.

In this case, I have nothing to show that Mr T made Oakbrook aware of his mental health issues and vulnerability at the time the loan application was made. And based on the results of the checks carried out, I do not think that Oakbrook was required to ask further questions. Given this, I do not think that Oakbrook was wrong to rely on the information it gathered through its checks and based on this I do not find the result of the credit check meant the loan shouldn’t have been given.

I have then considered whether the loan should have been assessed as sustainably affordable for Mr T. Mr T’s income was verified and a monthly net income of around £2,005 included in the assessment. Deducting payments for Mr T’s active and defaulted credit as well as amounts for his housing costs (a higher amount then Mr T declared was included) and an estimate of his living costs, left disposable income after the Oakbrook loan repayments of around £616. I find this a reasonable amount for any extra or unforeseen costs. Therefore, I do not think that the checks suggested that the loan would be unaffordable for Mr T.

While I appreciate that my decision will be disappointing to Mr T, I do not find I can uphold his complaint.

I’ve also considered whether Oakbrook acted unfairly or unreasonably in some other way given what Mr T has complained about, including whether its relationship with Mr T might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I’ve already given, I don’t think Oakbrook 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

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr T to accept or reject my decision before 25 November 2025.

Jane Archer
Ombudsman