

The complaint

Mr O complains about Oodle Financial Services Limited trading as Oodle Car Finance ('Oodle'). He says they shouldn't have lent to him because the repayments were unaffordable. Mr O also says Oodle ought to have applied a default sooner than they did.

What happened

In November 2021 Oodle provided Mr O with finance to purchase a used car. The car cost £21,500 and Mr O paid a deposit of £603. He entered into a hire purchase agreement to finance the remaining amount. After interest and charges the total amount due was £30,481, repayable in 60 monthly instalments – the first and last being £546.30 and the others being £496.30. In December 2022 Mr O fell into arrears, and the agreement was terminated in August 2023.

In January 2025 Mr O complained to Oodle saying that they didn't undertake appropriate affordability checks – and had they done so, they'd have realised the agreement was unaffordable. He added that the default should have been applied three months after the first missed payment.

Oodle didn't agree with Mr O's complaint. In their view, they carried out reasonable checks which showed that the payments for this agreement were affordable for Mr O, and they lent on that basis. Mr O remained dissatisfied with Oodle's response and referred the complaint to our service, where it was considered by one of our investigators.

Our investigator didn't think Oodle had carried out proportionate checks. But he said that if they had undertaken further checks they could still have fairly decided to lend to Mr O. The investigator also considered the default but concluded that Oodle acted reasonably when they applied the default in August 2023.

Mr O didn't agree with our investigator's view. He said he'd been in receipt of state benefits until the month before he applied for finance from Oodle. He'd only just started a new job and was in his probationary period. Mr O added that given his age he only had a limited credit history. And the monthly repayments of almost £500 far exceeded his limited benefit income and essential living costs. Mr O asked for an ombudsman's decision – and the complaint has come to me.

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.

Having done so, I'm not upholding Mr O's complaint.

The Financial Conduct Authority (FCA) sets out in a part of its handbook known as CONC what lenders must do when deciding whether to lend to a consumer. In summary, a firm must consider a customer's ability to make repayments under the agreement without having to borrow further to meet repayments or default on other obligations, and without the

repayments having a significant adverse impact on the customer's financial situation. CONC says a firm must carry out checks which are proportionate to the individual circumstances of each case.

When determining what's proportionate, we'd expect lenders to think about the nature of the credit (the amount repayable and the term, for example) and about the applicant's individual circumstances. I'd expect a lender to find out more about a prospective borrower's ability to repay if for example, a borrower's income was low, the amount lent was high, or the borrower's credit file reveals an impaired credit history.

Were Oodle's checks proportionate?

Oodle provided me with a copy of Mr O's finance application. Mr O said on his application that he was single and living with parents. He said he'd been employed for three months and declared a gross annual income of £20,400. CONC 5.2A.15R requires a firm to take reasonable steps to determine or make a reasonable estimate of the customer's current income unless the firm can demonstrate that it's obvious in the circumstances that the customer is able to make the repayments.

Oodle said they verified Mr O's income using a payslip and his employment contract. The employment contract showed Mr O had a gross annual salary of £20,000, giving a net monthly salary of around £1,469. The payslip Mr O provided for October 2021 showed he was paid around £1,439 that month. Overall, I'm satisfied Oodle did enough to verify Mr O's income.

Oodle also carried out a credit check and provided us with the results of that check. These show Mr O had no defaults, County Court judgments or other adverse information recorded on his credit file. It further showed he had recently opened a credit card account with a credit limit of £500, but this didn't have an outstanding balance. Finally, Mr O had an account with a telecommunication provider.

Oodle said they went on to use data from the Office of National Statistics (ONS) to estimate Mr O's cost of living and made an allowance for rent to his parents. CONC allows a firm to rely on statistical data to estimate a customer's expenditure unless they have reason to believe the statistical data might not be appropriate in the circumstances. While I don't think the use of statistical data would have been inappropriate in the circumstances of the case, Oodle hasn't provided evidence of that check or the results of it. For that reason, I can't make a firm finding that Oodle carried out reasonable and proportionate affordability checks before lending.

What would proportionate checks have shown?

I've considered what Oodle would likely have found out if they had completed reasonable and proportionate affordability checks. There are different ways a lender can go about checking a prospective borrower's income and non-discretionary expenditure. I can't be sure what Oodle would have done had they decided to conduct further checks, or what Mr O would have told them. In the absence of anything else, I usually look at bank statements for the three months leading up to the finance application as an indication of what would most likely have been disclosed.

Here, the application was submitted in November 2021, so I've looked at the period covering August, September and October 2021 to see what Oodle would likely have found had they carried out more thorough checks. Mr O said he was living with his partner's parents and contributing to the household costs in cash. He said that on average he paid £300 towards rent, £50 towards utilities and £100 towards council tax. So, his overall contribution was

£450 per month. I can see regular cash withdrawals of at least this amount in August and September 2021, but for October 2021 I've not been able to fully evidence the payments Mr O said he made using the bank statements he provided.

Oodle's credit check showed Mr O had a revolving credit account with a credit limit of £500. The credit card account was opened a month before Mr O's finance application to Oodle, and at the time of Oodle's credit check showed no outstanding balance. Mr O said he had a balance on the credit card, but he hasn't provided a copy of his credit report. I've thought about this carefully. As mentioned above, I've not seen the figures Oodle used to calculate Mr O's likely disposable income. Given that their credit check showed Mr O had no outstanding credit card balance, I don't think Oodle needed to factor in repayments to the credit card.

Even if Mr O had used the credit card up to the agreed limit of £500, as he suggests, it wouldn't materially change matters. I say this because CONC requires a firm to assume that revolving credit is repaid over a reasonable term. I'd expect lenders to use at least 5% of the outstanding amount to reflect that. In Mr O's case, if the credit card had been at its agreed limit, this should have led Oodle to include repayments of £25 per month.

I couldn't see repayments to the telecommunication provider on the bank statements Mr O sent us. However, using the figures Mr O provided for household costs and assuming he was repaying his credit card at £25 per month would bring his average monthly committed expenditure to £475. Deducting this from the verified income of £1,469 would leave Mr O with around £994 in disposable income from which to make the monthly repayments required under the agreement, as well as pay for his mobile phone and discretionary expenditure.

Mr O said he had a limited credit history due to his age. But that doesn't automatically mean a lender is required to undertake additional checks. Instead, I'd expect a lender to take into account all other relevant information when deciding what is proportionate in the circumstances of each individual case.

Mr O told us he'd only just started a new role and was in his probationary period. On the finance application Mr O declared he'd been in his job for around three months. Importantly here, Oodle took steps to verify what Mr O told them. They asked Mr O for a payslip and a copy of his employment contract. I can see from the employment contract that Mr O had a probationary period of three months. The contract was signed on 9 August 2021, and Mr O applied for finance on 11 November 2021. I think Oodle could have reasonably assumed that Mr O had completed his probationary period.

In summary, had Oodle conducted proportionate checks I'm satisfied they'd have been able to confirm Mr O had sufficient disposable income to make the repayments. It's more likely than not that Oodle would have then reached the same lending decision. So, I don't think Oodle acted unfairly or unreasonably in agreeing to lend to Mr O.

The default

Mr O said Oodle ought to have recorded the default three months after his first missed payment but didn't do so until over a year later. Mr O missed the December 2022 repayment, and from what I've seen Oodle recorded the default eight months later in August 2023. Mr O has since confirmed that his credit file shows the default date as being August 2023, so there's no dispute around the date the default was registered.

Mr O has also said that the main focus of his complaint about Oodle is about irresponsible lending. For completeness though, I've considered whether Oodle ought to have recorded

the default sooner than it did. In doing so I've looked at the guidance the Information Commissioner's Office (ICO) issued for lenders as to what, how and when information should be reported to the CRA.

The relevant guidance can be found in the ICO's paper "*Principles for the Reporting of Arrears, Arrangements and Defaults at Credit Reference Agencies*." It sets out a clear expectation that adverse information can and should be reported to the CRAs when payments aren't made in line with the credit agreement. The ICO's second principle says:

2. Should a payment not be made as expected, information to reflect this will be recorded on your credit file

If you do not make your regular expected payment by the agreed time and/or for the agreed amount according to your terms and conditions, the account may be reported to the CRAs as being in arrears.

If this continues over time, the level of reported arrears will increase, which may result in the lender taking some form of action. This could include notification of their intention to report the account as "defaulted" (see Principle 4 below).

The guidance goes on to say:

4. If you fall into arrears on your account, or you do not keep to the revised terms of an arrangement, a default may be recorded to show that the relationship has broken down.

As a general guide, this may occur when you are 3 months in arrears, and normally by the time you are 6 months in arrears. [...]

But this is not a hard and fast rule. Importantly, firms need to balance the ICO guidance with the FCA's guidance to offer forbearance to customers who have shown signs of financial difficulties. Registering a default too soon could be seen as contradicting the requirement to offer forbearance.

Oodle provided me with detailed account notes, which show that Mr O was engaging with Oodle in relation to the arrears from January 2023 onwards. This includes:

- Mr O getting in touch about setting up a repayment plan in January 2023
- A call from Mr O in early April 2023, explaining he was expecting a pay rise and intending to clear the arrears
- Mr O completing an income and expenditure assessment (I&E) in May 2023
- A payment plan being set up in June 2023

The payment plan referred to above was broken in July 2023. The contact notes show that Oodle spoke to Mr O and explained they needed to complete another I&E with him. And Oodle explained the consequences of not coming to arrangement to pay off the arrears. When Mr O didn't return the I&E, and after several attempts to obtain this, Oodle decided to terminate the agreement in August 2023.

Based on what I've seen, I'm satisfied that the relationship between Oodle and Mr O hadn't broken down until August 2023. And so I don't think Oodle acted unreasonably or treated Mr O unfairly by registering the default in August 2023, given that Mr O seemed to make attempts at addressing the arrears until July 2023.

Did Oodle act unfairly in any other way?

I've also considered whether Oodle acted unfairly or unreasonably in some other way given what Mr O has complained about, including whether their relationship with Mr O might have been unfair under s.140A Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think Oodle lent irresponsibly to Mr O 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 set out above, my decision is that I'm not upholding Mr O's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 18 February 2026.

Anja Gill
Ombudsman