

The complaint

Miss T complains that OAKBROOK FINANCE LIMITED was irresponsible in its lending to her. She wants all interest and charges paid on the loan refunded.

What happened

Miss T was provided with two loans by Oakbrook the details of which are set out below.

Loan	Date	Amount	Term	Monthly repayments
1	February 2022	£3,200	24 months	£160.20
2	August 2023	£3,500	24 months	£217.98

Miss T said that the loans were unaffordable and caused her severe financial hardship. She said that when the first loan was given, she had four defaults on her credit file and arising credit card balance which she was struggling to repay. By the time the second loan was provided she said she was in a desperate financial situation, with seven credit cards all at their limits and she was struggling to make the minimum payments. She said she had also taken out four payday loans in late 2022 / early 2023 and owed money to other credit accounts.

Oakbrook issued a final response to Miss T's complaint dated 19 November 2024. It said that before lending it carried out affordability and creditworthiness checks, including verifying Miss T's declared income using her account turnover data. It said its credit check didn't raise any serious concerns and based on its calculations the loans were affordable for Miss T.

Miss T referred her complaint to this service.

Our investigator didn't uphold this complaint. He thought the checks carried out before the loans were provided were reasonable and as these didn't raise concerns about the affordability of the lending he didn't think he could say that the lending decisions were unfair. Miss T didn't agree with our investigator's view. She provided details of other complaints that she had made and had been upheld.

As a resolution wasn't agreed, this complaint was passed to me, an ombudsman to issue a decision.

My provisional conclusions

I issued a provisional decision on this complaint, the details of which are set out below.

Miss T has mentioned having other complaints upheld. While I have noted this, I want to explain that each case is treated separately and my decision is based on the unique circumstances of the specific case.

Oakbrook provided Miss T with two loans. Before the lending was given, Oakbrook gathered information about Miss T's employment, income and residential status. Miss T said she was employed with an annual income of £47,100 (loan 1) and £51,000 (loan 2) and that she was a tenant. Miss T's income was verified using a credit reference agency tool and a credit check was undertaken. The credit check showed no recent adverse information with all of Miss T's accounts being up to date.

Given the size of the loans and the monthly repayments compared to Miss T's income and noting that her credit report didn't show any current issues with how she was managing her commitments, I think the checks carried out before the loans were provided were reasonable and proportionate. However, just because I think this, it doesn't necessarily mean that the loans should have been given. To assess this, I have considered the information Oakbrook received through its checks to see if this should have raised concerns.

Loan 1: February 2022

Miss T declared an annual income of £47,100. Oakbrook verified the income using current account turnover data and a net monthly income figure of around £2,974 was used in the affordability calculation. Based on the information I have seen, I find this income figure reasonable. Miss T declared her housing costs as £800, and these were deducted from her income along with an amount for living costs and her existing credit commitments. This resulted in Miss T's calculated disposable income after the Oakbrook loan repayments being around £1,066. I do not think this should have raised concerns about the affordability of the loan or meant that further questions were needed.

Miss T has noted that she had four defaulted accounts on her credit file. These were shown in Oakbrook's credit results. However, as the most recent default was recorded 47 months prior to the application, I think it reasonable that these were considered historic and not a reason on their own to prevent the lending from happening.

Noting that Miss T had experienced historic financial difficulties, I think that it was particularly important to consider her more recent credit data to see if there were signs that she was struggling with her commitments. The Oakbrook credit results showed Miss T as having six active accounts which were all up to date. Her total debt was recorded as around £2,900 with her monthly repayments for her revolving credit being around £117 and other repayments of £10. The most recent payday loan was recorded as being opened 48 months earlier. Based on this, I think that Miss T's recent credit data suggested she was managing her commitments and didn't show signs of her being overindebted. Given this, and noting that the loan repayments appeared affordable, I find it reasonable that Oakbrook provided Miss T with loan 1.

Loan 2: August 2023

Miss T made her required monthly repayments for loan 1 and settled the account early in July 2023. Therefore, I do not find that her account management prior to loan 2 should have raised concerns.

Loan 2 was for a larger amount than loan 1 and given it had a much higher interest rate, the repayments were larger. Miss T's declared income was verified using a current account turnover tool and a monthly net income figure of around £3,190 was used. Miss T's declared housing costs, her existing credit repayments taken from her credit file, along with an

amount for her living costs and the new Oakbrook loan were deducted from her income. This left disposable income of around £580. Based on these figures, I accept that the loan appeared affordable.

However, I think the data from Miss T's credit file, and the knowledge Oakbrook had about Miss T's previous borrowing, should have raised concerns that Miss T might be caught in a cycle of debt. I say this because while Miss T repaid loan 1 early, she then took out this larger loan around a month later. Both loans 1 and 2 were said to be used for debt consolidation. While I accept Miss T may have been using the new borrowing to repay other debts, as Oakbrook was aware she had taken out loan 1 for this reason and then as soon as it was repaid taken out the higher loan for the same reason, I think this should have raised concerns that Miss T was using new debt to repay existing debt without reducing her overall reliance on borrowing.

Miss T's total debts were recorded as £13,600 with around £4,700 being revolving debt and £8,900 non-revolving debt. This was an increase from when she applied for loan 1. While I do not find I can say Miss T's debts were at a level compared to her income which would clearly show she was overindebted, she had taken out a £7,000 loan a month before applying for this Oakbrook loan (Miss T also took out a £12,500 loan earlier in August 2023 but I accept that due to the timing this wasn't caught by the credit check). The Oakbrook loan wasn't large enough to repay the July 2023 loan, which further supports the concern that Miss T was reliant on debt and increasing her borrowing levels.

Given this, while I accept that loan 2 appeared affordable for Miss T, I think the other information available should have raised concerns about Miss Ts' pattern of borrowing and that she had become reliant on debt. Therefore, I do not think that loan 2 should have been provided and I intend to uphold this complaint about loan 2.

I've also considered whether Oakbrook acted unfairly or unreasonably in some other way given what Miss T has complained about, including whether its relationship with Miss T might have been unfair under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed below results in fair compensation for Miss T in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Miss T accepted my provisional decision. Oakbrook didn't respond.

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.

As no new information was given in response to my provisional decision, my conclusions haven't changed. As I previously explained I think the checks carried out before the loans were provided were reasonable and proportionate. However, when assessing the information received before loan 2 was given, I think this should have raised concerns.

Loan 2 was for a larger amount than loan 1. It had a much higher interest rate and the repayments were larger. While the data gathered suggested the loan repayments would be affordable, I think the other information available should have raised questions about whether Miss T might be caught in a cycle of debt.

So, for the reasons I set out in my provisional decision, I am upholding this complaint in regard to loan 2.

Putting things right

I am upholding this complaint about loan 2. As Miss T has repaid this loan, Oakbrook Finance Limited should:

- Treat all repayments made by Miss T towards loan 2 as though they had been repayments of the principal loan amount. It must then refund any overpayments along with 8% simple interest* calculated from the date the overpayments would have arisen, to the date the complaint is settled.
- Remove any adverse information that may have been recorded on Miss T's credit file in relation to loan 2.

*HM Revenue & Customs requires Oakbrook Finance Limited to deduct tax from this interest. It should give Miss T a certificate showing how much tax it's deducted, if she asks for one.

My final decision

My final decision is that Oakbrook Finance Limited should take the actions set out above in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss T to accept or reject my decision before 20 October 2025.

Jane Archer
Ombudsman