

The complaint

Miss W complains about Oodle Financial Services Limited trading as Oodle Car Finance ('Oodle'). She says it was irresponsible in lending to her.

Miss W is represented in this complaint but for ease of reference I have referred to Miss W throughout the decision.

What happened

In August 2019 Miss W acquired a vehicle financed by a hire purchase agreement from Oodle. Miss W was required to make 60 monthly repayments, 58 of these were around £200. the cash price of the vehicle was £7,000 and the total amount repayable was around £12,350.

In October 2024 Miss W complained to Oodle, in short, she said it failed to complete adequate affordability checks, she said if it had it would've been clear that the agreement wasn't affordable. She also said Oodle hadn't treated her with forbearance and due consideration.

Oodle disagreed. In summary it said it carried out an adequate affordability check including Miss W's financial commitments obtained from her credit file, it estimated the car running cost along with the cost-of-living expenses extracted from the Office of National Statistics (ONS) data. It said it thought that her income of £25,200 a year was enough to service the monthly payments of £204.17.

Our Investigator looked into things and recommended that the complaint should be upheld. He thought Oodle's checks weren't proportionate, and it shouldn't have approved the finance. He said Oodle should refund all payments Miss W made over £7,000 with interest.

Miss W accepted our Investigator's view, but Oodle didn't. It raised concerns about the income and expenditure our Investigator calculated. It said even after all deductions the Investigator suggested were made, Miss W would have had a disposable income of around £65 per month so overall the agreement would've been affordable.

As an agreement couldn't be reached, the complaint has been passed to me to decide.

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.

Where evidence is incomplete, inconsistent or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider most likely to have happened in light of the available evidence and wider circumstances.

In this case there are two overarching questions that I need to answer to fairly and reasonably decide Miss W's complaint. These two questions are:

1. *Did Oodle complete reasonable and proportionate checks to satisfy itself that Miss W would be able to repay her loan without experiencing significant adverse consequences?*
 - *If so, did it make a fair lending decision?*
 - *If not, would those checks have shown that Miss W would've been able to do so?*
2. *Did Oodle act unfairly or unreasonably in some other way?*

And, if I determine that Oodle didn't act fairly and reasonably when considering Miss W's application, I'll also consider what I think is a fair way to put things right.

Did Oodle complete a reasonable and proportionate affordability check?

Oodle says it confirmed that Miss W was employed and that her gross yearly income was £25,200. It has also provided a copy of Miss W's payslip from June 2019 which I understand it used to verify her income. I believe Oodle found out what Miss W's existing credit commitments were from her credit file. The information showed that she had several active credit accounts and an outstanding balance.

Oodle said it checked Miss W's credit file. They've provided an extract from this which is incomplete but suggests Miss W had several active accounts as well as outstanding balances on some older defaulted accounts. It also obtained payslips from Miss W, and calculated her actual income was around £1,279 per month or around £17,370 annually - much lower than what she'd told them when she applied. Oodle said it estimated Miss W's cost of living and disposable income using statistical data. But I haven't seen these calculations.

But this was a long-term commitment, and I think Oodle should have done more here to find out what Miss W's expenditure was, particularly as it estimated her gross annual income to be significantly less than what she'd declared. As Oodle don't appear to have sought a reasonable understanding of Miss W's total committed expenditure, I don't think it carried out reasonable and proportionate affordability checks before lending. Oodle needed to do more in the circumstances before agreeing to lend.

I'm satisfied Oodle didn't complete proportionate affordability checks, but this doesn't automatically mean it shouldn't have lent to Miss W. I need to consider what Oodle would have found if it had carried out more checks.

Would reasonable and proportionate checks have shown that Miss W could sustainably repay the borrowing?

I've considered what Oodle would likely have found out if it had completed reasonable and proportionate affordability checks. I can't be certain what Miss W would have told Oodle had it asked about her regular expenditure. I don't think Oodle necessarily needed to request bank statements but in the absence of anything else, I've placed significant weight on the

information contained in Miss W's open banking report from the three months leading up to the application.

I've considered the figure Oodle relied on, from the information it provided I can see it used a baseline monthly take-home figure of £1,279.

From this information, I've estimated Miss W's non-discretionary expenditure at the time of the lending was around £966 per month, made up of rent, usual household bills, a mobile phone contract, food and car insurance costs.

I've included around £45 per month for car insurance, adding up the payments Miss W made in July 2019 and September 2019 and dividing the total by 12.

I note there are there are some transfers to and from other individuals which I haven't taken into account as none of these are regular. And her own payments in and out broadly net off – so there's no evidence that Miss W had additional income.

The credit check Oodle completed showed Miss W had nine active credit accounts and a significant outstanding balance, there was no evidence of insolvency, CCJ's or recent defaults. Whilst I cannot be sure of the committed monthly expenditure Miss W was making towards her outstanding creditors; I am satisfied she had some and she would've been making some payments each month. I've also not been provided with any information about what Oodle would've attributed to Miss W's payments towards her outstanding debt so I cannot be sure it accounted for this when assessing Miss W's affordability.

Taking into account the above calculations, Miss W would be left with a disposable income of around £109 a month after factoring in the repayments to this new agreement. This level of disposable income would need to cover any emergencies or unforeseen costs. Further I must make clear, this figure doesn't factor in any repayments Miss W was required to make towards her outstanding creditors.

Having carefully considered this, I'm not satisfied that this level of disposable income was sufficient and sustainable across the full term of the hire purchase agreement. As such, I consider Oodle ought reasonably to have identified from the checks it completed that this agreement wouldn't be sustainably affordable for Miss W. It therefore follows I'm upholding Miss W's complaint.

Did Oodle act unfairly or unreasonably in any other way during the relationship?

I've gone on to consider whether Oodle has acted fairly or unreasonably in any other way during its relationship with Miss W; however, I've not been presented with any information which leads me to conclude this to be the case. There are no notes or reasons for me to believe that Miss W made Oodle aware of any affordability concerns before she settled the agreement in August 2024.

I've also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, the redress I'm directing in this case, as set out below, results in fair compensation for Miss W in the circumstances of her complaint. I'm therefore satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Putting things right

As I don't consider Oodle ought to have approved this hire purchase for Miss W, it follows I don't consider it fair for it to be able to apply any interest or charges under the agreement.

Miss W should therefore only have to pay the original cash price of the car being £7,000.

Anything Miss W has paid over that amount should be refunded.

So, in order to settle Miss W's complaint, I direct Oodle to take the following action:

- Refund any payments made towards the agreement in excess of £7,000, representing the original cash price of the car. It should add 8% simple interest per year* from the date of each overpayment to the date of settlement.
- Remove any adverse information recorded on Miss W's credit file regarding the agreement.

*if Oodle Financial Services Limited trading as Oodle Car Finance considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Miss W how much it's taken off. It should also give Miss W a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

My final decision is that I uphold Miss W's complaint, and I direct Oodle Financial Services Limited trading as Oodle Car Finance to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 30 December 2025.

Rajvinder Pnaiser
Ombudsman