

The complaint

Mr M complains through a representative that Oodle Financial Services Limited (“Oodle”) gave him a hire purchase agreement without carrying out sufficient affordability checks.

For ease of reference, I’ve referred to Mr M throughout the decision rather than refer to the actions of his representative.

What happened

In November 2019, Oodle provided Mr M with a hire purchase agreement for a used car through a credit intermediary. The cash price for the vehicle was £14,598 and an advanced payment of £1,138 was paid so £13,460 was financed. The total amount of interest, fees and charges was £4,097.48 and Mr M had a total to repay of £18,965.48. Mr M was due to make an instalment of £534.96 followed by 34 payments of £484.83 followed by a final payment of £534.93. The agreement was settled in June 2021.

Oodle didn’t uphold Mr M’s complaint and so the complaint was then referred the complaint to the Financial Ombudsman. Mr M’s complaint was then considered by an Investigator. The Investigator said further checks were needed before Oodle lent to Mr M. However, even if further checks were conducted into Mr M’s finances, then Oodle would’ve still lent to him.

Mr M didn’t agree and provided a document as to why he disagreed which in summary showed that further checks would’ve shown Mr M didn’t have enough disposable income to afford the repayments. These comments didn’t change the investigator’s assessment and so the complaint has been passed to an ombudsman for 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.

We’ve explained how we handle complaints about irresponsible and unaffordable lending on our website. And I’ve used this approach to help me decide Mr M’s complaint. Having carefully thought about everything I’ve been provided with I’m not upholding Mr M’s complaint. I’d like to explain why in a little more detail.

Oodle needed to make sure that it didn’t lend irresponsibly. In practice, what this means is that Oodle needed to carry out proportionate checks to be able to understand whether any lending was sustainable for Mr M before providing it.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify that information – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low, the

amount lent was high, or the information the lender had – such as a significantly impaired credit history – suggested the lender needed to know more about a prospective borrower's ability to repay.

Oodle as part of the application process took details of Mr M's income from self-employed work and received an income of £45,600 per year – gross. Oodle says this worked out at about £2,852 per month. It doesn't look like any checks were made into Mr M's income which I think were needed given that he declared he was self employed - his income may not have been as stable as other applicants in PAYE employment.

It also knew that Mr M was in rented accommodation. Taking the income and residential status Oodle says it then used information extracted from the Office of National Statistics to work out Mr M's living and housing costs. This along with the credit search results showed Mr M's likely monthly outgoings were around £1,869.

Oodle conducted a credit search before granting the agreement and it has provided a copy of the results that it received. To be clear there isn't a requirement to carry out a credit search let alone one to a specific standard. So, I've considered these results to in order to see whether Oodle was given any indication that Mr M was or was likely having financial difficulties at the time the agreement was granted.

The credit search results, wouldn't have, in my view, been overly concerning for Oodle. It knew Mr M had three credit cards owing around £3,700, two loans, a current account with an overdraft and two loans as well as an existing hire purchase (HP) agreement. When thinking about a minimum payment on a credit card plus the existing loan costs would've led to monthly credit commitments of around £700. Mr M had an active HP agreement – costing £255 per month which he been repaying without any problems since around 2017.

There was also a satisfied defaulted from 2014 – but given the amount of time that had passed since the default had been applied and satisfied it would've been reasonable for Oodle to have placed less weight on it as a sign that Mr M wouldn't be able to afford the current agreement or that he was having financial difficulties.

The credit search results do not show to Oodle that Mr M was currently having, or was likely to have in the near future, financial difficulties and so I don't think these results would've led Oodle to carry out further checks or to have declined his application.

Although, the credit search results didn't show signs of financial difficulties, I do think given the lack of any sort of check into Mr M's self-employed income is missing. And Oodle didn't really have an understanding of the sort of monthly living costs Mr M had as these appear to have solely relied upon ONS data. And I say this because of the size of the finance and monthly repayment. Oodle needed to satisfy itself that the repayments were sustainably affordable for Mr M.

Oodle's checks could've gone further simply by asking Mr M what his actual living costs were rather than solely relying on statistical data either by asking for evidence from Mr M about his bills, obtaining other documentation or as I've done, it could've asked for copy bank statements.

Mr M has provided copy bank statements for the period leading up to and shortly after the loan application. But to be clear, I've only used the bank statements to get an idea of what Mr M's regular living costs are likely to have been at the time. I've not done this because I think Oodle ought to have requested this information as part of underwriting this loan. After all, Oodle already had a reasonable idea about Mr M's existing credit commitments.

I accept that had Oodle conducted proportionate checks it may not have seen all the information that I have seen. But, in the absence of Oodle conducting a proportionate check I do think it's fair and reasonable to consider statements that I now have access to. And having looked at the statements, I've come to the same conclusions as the investigator for broadly the same reasons.

Firstly, it seems what that Mr M declared about his annual income may have been an under estimation – taking account of his self-employed earnings and benefits his income was on average around £4,500 per month.

In terms of outgoings, I can see rent of £1,600 plus costs for utilities, TV services, phones, council tax, his existing credit commitments and of course on top of this I can see regular petrol costs – which isn't surprising given the nature of Mr M's role as well as food and costs associated with having a family. However, like the Investigator, I don't think had Oodle taken a closer look at what Mr M was actually spending on his non-discretionary living costs each month it would've concluded the finance was unaffordable for him.

As I've said above, there was an existing HP agreement – and Mr M already had car insurance and car tax payments – which he was already paying. The other HP agreement ended in October 2019 and so had Oodle take a closer look at this record it would've seen it was repaid by the time Mr M took this agreement. It also seems that the weekly car costs stopped as well – and the total cost of the car cost and existing hire purchase agreement does seem to have been more (combined) than the cost of the new Oodle agreement.

Overall, having looked at the income and expenditure, I don't think, had Oodle, looked more closely at Mr M's living costs that it would've likely concluded he could afford the repayments. Indeed the bank statements also don't show signs of financial difficulties such as returned direct debit payments.

Bearing in mind this additional check wasn't intended to be a full forensic accounting review of Mr M's circumstances, then I think overall, given the living costs and expenditure that I can see in the bank statements, Oodle would've thought – just thinking about Mr M's regular payments and living costs that he could've afforded the agreement. I've therefore not upheld Mr M's complaint.

I've also considered whether the relationship 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 Oodle lent irresponsibly to Mr M 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 I've explained above, I'm not upholding Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 15 May 2026.

Robert Walker
Ombudsman