

## **complaint**

Mr W says Oakbrook Finance Limited, trading as Likely Loans, shouldn't have lent him money in 2017.

## **background**

In November 2017, Mr W borrowed £2,500 from Likely Loans. He'd repay this amount, with interest, over 12 months. The monthly repayments were £266.24. He repaid the loan early, in February 2018.

Mr W says Likely Loans shouldn't have lent him this money. He says he was in financial difficulties due to gambling addiction. He says the repayments and interest took a huge chunk out of his wages, and this meant he had to take out further loans to meet his repayments.

Our adjudicator looked at the complaint. She felt that, based on what she'd seen, that Likely Loans had carried out proper checks before it lent Mr W the money. And so she thought its decision to lend Mr W the money was fair.

Mr W didn't agree. The complaint has been referred to me to decide.

## **my findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

In considering what is fair and reasonable I have taken into account relevant law and regulations; regulators' rules, guidance and standards; codes of practice; and what I consider to have been good industry practice at the time.

I don't uphold this this complaint. I'll explain why.

As Likely Loans was entering a regulated credit agreement, it needed to assess Mr W's creditworthiness, including the potential for the commitments under the agreement to adversely impact Mr W's financial situation, and the ability for Mr W to make repayments as they fell due over the term of the loan.

In particular, the regulator's rules that applied to Likely Loans at the time said it needed to take reasonable steps to assess Mr W's ability to meet the repayments under the agreement in a sustainable manner without Mr W incurring financial difficulties or experiencing significant adverse consequences. This included Mr W being able to make the payments on time while meeting his other reasonable commitments and without having to borrow to meet the repayments.

The checks Likely Loans had to be proportionate to the specific circumstances of the loan. This will depend on a number of factors including things like Mr W's financial history, his financial situation at the time he applied for the loan, and other factors such as the amount borrowed, type of loan and the cost of the credit being sought.

In light of that, I think reasonable and proportionate checks should generally be more thorough where:

- The lower a customer's income (as it could be harder to make any loan repayments from a lower income)
- the higher the amount to be repaid (as it could be harder to meet a higher repayments from a given income)
- the longer the term of the loan (as the total cost of the loan is likely to be greater and the customer is required to make payments for an extended period.)

Likely Loans has sent me the information Mr W entered when he applied for the loan. I see Mr W applied for a loan of £2,500 over 12 months to consolidate borrowing. He told Likely Loans his gross income was £45,000 a year, and that he was employed and living with his parents.

Likely Loans says it used this information together with information it received from a credit reference agency. I've taken a look at this. It showed that Mr W had six open credit accounts, with total debt of £2,500.

So based on what I've seen, Mr W told Likely Loans he had a high income – and this is confirmed by the bank statements he's sent us. He said he planned to use this loan to consolidate debts, and based on the information Likely Loans had about Mr W's circumstances at the time the amount he was borrowing was enough to repay his existing debts in full.

I'm not persuaded that the information in Mr W's application or in the information Likely Loans received from the credit reference agency would have alerted them to the need to carry out further checks of Mr W's circumstances. And based on what Mr W and the credit reference agency told Likely Loans about his circumstances, I don't think the decision to lend money to Mr W was an unfair one.

I've considered the further points Mr W has raised. He feels that if Likely Loans had carried out a full analysis of his credit file it ought to have realised he was in financial difficulties. I can see why, with the benefit of hindsight, Mr W feels this way. But it looks like Mr W applied for a number of other loans and credit cards around the point Mr W applied for this loan – and based on the amount shown on Likely Loans's records it doesn't look as though these were visible on his credit file at the time he applied for this loan.

I appreciate that Mr W says he was in financial difficulties – and I acknowledge that his bank statements show he was spending a large part of his income, particularly on gambling. And I don't doubt that Mr W has had a very difficult time. But Likely Loans would only have known about these if it had checked his statements – and for the reasons I've already explained, I'm not persuaded that Likely Loans needed to do this, given what it already knew about his circumstances.

### **my final decision**

For the reasons above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to Mr W to accept or reject my decision before 2 April 2020.

Edward Hardman

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