

complaint

Mr G complains that Oakbrook Finance Limited trading as Likely Loans (“Oakbrook”) lent to him irresponsibly because he was in financial difficulty at the time of applying for a loan. The amount Mr G says he applied for, and the amount Oakbrook lent him is also in dispute.

background

Mr G applied for a loan with Oakbrook in April 2016. Mr G says he applied for a loan of £1,000 but the loan which Oakbrook granted was for £2,000. Mr G can't remember if he changed his mind about the loan amount – or if Oakbrook decided to increase the amount it lent to him. But either way, Mr G doesn't think Oakbrook should have lent him any money due to his financial situation. The £2,000 loan was to be repaid over 24 months and the monthly repayments were £122.14.

Mr G says at the time he applied for the loan he was in severe financial difficulty and had a gambling problem. In particular he said he was often over the limit of his £2,500 overdraft facility, and he was near his limit on a number of credit cards. He was also struggling to support his family financially, and took on some of his wife's debts too as she was on maternity leave. He also said his credit file would have shown Oakbrook he had a number of payday loans and was in a repayment plan with another company.

The first repayment due for the loan wasn't paid, and Mr G ended up in arrears. Eventually, and after a notice of default, the loan was passed to a third party debt collection agency. This resulted in information being recorded on Mr G's credit file.

Mr G complained to Oakbrook about lending to him irresponsibly. They responded saying they check affordability for loans using a scorecard system – but they also consider other factors including information given in relation to income and affordability. Oakbrook were satisfied with Mr G's application and therefore approved the loan. Oakbrook said they only have records of one application made by Mr G for a £2,000 loan.

Mr G remained unhappy so he brought the complaint to our service. He also provided us with an email from Oakbrook relating to a £1,000 loan. Mr G still thinks Oakbrook shouldn't have lent to him based on his circumstances at the time – and he wants them to put things right by refunding the interest and charges applied to the loan, as well as removing all references relating to this loan from his credit file.

Our adjudicator didn't think Oakbrook had lent irresponsibly. In summary, he said Oakbrook carried out the checks it should have – and based on the information they were given, Mr G met their lending criteria. While our adjudicator couldn't confirm whether the initial application was for £1,000 or not – he was satisfied the checks carried out were based on a £2,000 loan and he found that Oakbrook hadn't lent to Mr G irresponsibly, so he didn't think the loan amount made a difference.

The complaint has been passed 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. Having done so, I've reached the same

conclusions as the adjudicator, and for broadly the same reasons. I know this will come as a disappointment to Mr G – so I've explained why below.

Where the information I've got is incomplete, unclear or contradictory, as some of it is here, I have to base my decision on the balance of probabilities.

the application amount

Mr G has provided an email he received from Oakbrook relating to a £1,000 loan. The email appears to come from a legitimate Oakbrook email address, and is dated the same day Mr G applied for the loan in question. Based on this, I think it's reasonable he is confused about the amount he actually applied for. Oakbrook's system show a £2,000 application only – so while I don't know why Mr G received an email about a £1,000 loan, it seems likely this was a typing error.

But what makes a difference here is the amount Mr G was assessed for. Oakbrook have shown they assessed Mr G on a £2,000 loan – and that's the amount Mr G accepted in line with the terms and conditions of the loan agreement. So while I appreciate the confusion with the application amount, I don't think it makes a difference to the outcome of Mr G's complaint.

affordability

Oakbrook had a responsibility to check Mr G could afford to repay the loan in a sustainable way. There's no guidance which clarifies the checks they had to make but they needed to be proportionate to Mr G's particular circumstances at the time. And I'd expect them to take into account things like the monthly repayments, the term of the loan and what Mr G told them about his individual circumstances.

During Mr G's application, he told Oakbrook he was a tenant and that he was earning £45,000 a year. While he didn't comment on his outgoings – or his gambling problem and financial difficulty – Oakbrook carried out their own checks. The checks confirmed Mr G had outstanding unsecured debt of around £5,000 and a hire purchase agreement with monthly payments of around £250.

Mr G says his credit file would have shown that he'd had a number of payday loans but that wouldn't necessarily mean a lender will choose not to lend. And in Mr G's case, his history of payday loans would have been just one of several factors Oakbrook would have taken into account when deciding whether to lend to him.

I appreciate Mr G says he was in a spiral of debt, and was struggling to meet financial commitments for his family – but his credit file (which contributed as part of the searches Oakbrook carried out) didn't reflect that. It showed he had a small number of historic missed payments, but confirmed there were no active or settled defaults in place and no payment arrangement flags. And seeing as Mr G didn't tell Oakbrook about his financial difficulty, they wouldn't have known about it. Therefore, I consider it was reasonable for Oakbrook to decide the loan was affordable for Mr G.

Based on everything I've seen, and taking everything into account – in particular the total loan amount of £2,000, I think Oakbrook took reasonable steps to check Mr G could afford his repayments. I've also seen nothing to suggest the lending was irresponsible. So, while I

appreciate this will come as a disappointment to Mr G, I think Oakbrook's actions were reasonable, so I won't be asking them to do anything.

my final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 23 April 2018.

Hayley West
ombudsman