

complaint

Miss M complains that Oakbrook Finance Limited (“OFL”) should not have lent to her as she couldn’t afford to borrow from it.

background

Miss M applied for a loan from OFL in May 2016. At the time she said she had other borrowing. She suggested that if it had carried out the checks it ought to have done it would have seen that she had this borrowing and that there was negative information on her credit file. She indicated that this information should have been enough to prevent it from lending to her. Further, Miss M explained this loan helped to trap her in a “*debt spiral*”.

Miss M maintained payments until 2017 when she sought assistance from a third party to help her arrange a repayment plan with her creditors.

OFL didn’t agree that it had lent inappropriately. Its view was that it carried out proportionate checks. It was aware she had other debts, which was understandable as its records show she told it the purpose of the loan was debt consolidation. According to OFL Miss M’s credit record didn’t show that she was struggling with her pre-existing debt; rather it showed she was managing her debts appropriately. From OFL’s point of view, the information that she provided including about her employment status, home situation and monthly salary which it relied on, as it was entitled to do, demonstrated that the monthly repayments were affordable.

Further it pointed out she had maintained her payments in 2016. She had paid late one month but made it up the following month. At the time, its records show she told it her payment had been late, only because the overtime she’d been promised didn’t come through. It also thought it was significant that when Miss M entered into a repayment plan with it in 2017 she paid more than it had agreed to accept.

Dissatisfied, Miss M came to our service.

Our investigator took a look at Miss M’s complaint. Taking all of the information she had into account she thought the checks done by OFL were proportionate. Amongst other things she took account of the fact that, Miss M had borrowed a relatively small amount in relation to the income she had coming in. OFL had shown it carried out checks that didn’t throw up anything that ought to reasonably have made it seek more information. Our investigator concluded she’d no proper basis to ask OFL to take further action.

OFL agreed with this conclusion. Miss M didn’t. In summary, she reiterated her previous stance. She also suggested this borrowing had tipped her over the edge and made it necessary for her to set up a repayment plan with her creditors.

my findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint. I’ve finished my review of Miss M’s complaint. I’m not upholding it. I realise this will most likely disappoint Miss M and I regret that is the case. Please let me explain why I’ve reached this conclusion.

When lending money to a consumer, a lender is required to ensure the consumer can repay the borrowing in a sustainable manner without it adversely impacting on their financial situation. A lender should obtain sufficient information to make an informed decision about the lending. Exactly what a lender should consider is for each lender to decide and the guidance and rules list a number of things each lender may wish to consider. Any checks should be proportionate, based on the size of the borrowing. Given this is what OFL should have done, I need to look at whether I think the checks OFL did went far enough.

OFL tells us it checked Miss M's credit history; it credit scored her and it asked her about her income, the purpose of the loan and her home situation. Miss M hasn't said it didn't do this. Neither has she said that the information she provided was inaccurate.

Both parties agree that she had other borrowing at the time she made her application. This is not surprising; the application information suggests Miss M told OFL she was borrowing to consolidate her debts. They both also agree that there was some information showing in the past she had run into difficulties making her repayments in relation to other debts. But the information also showed she had taken steps to sort this out. OFL's records indicate the total amount of her outstanding borrowing was relatively low. Miss M hasn't provided information to show this is incorrect.

Miss M provided OFL with information about her financial situation, as I have mentioned. This information, on the face of it, suggested that the repayments could be maintained by her during the life of the loan. It was entitled to place weight on what she said because what she told it wasn't contradicted by the other information it had.

I realise that at the time Miss M may have felt that her situation was getting out of control. But I have not seen anything to suggest she said this to OFL at the time. And even months after she borrowed she didn't say anything along these lines rather she suggested she had a temporary cash flow problem due to the lack of the overtime she'd been counting on.

In all of the circumstances given the information available at the time it decided to lend, I don't agree that the businesses didn't take the steps it should have done before it lent to her. It follows I don't agree it is appropriate to ask OFL to make the payment to Miss M that she has asked it for.

my final decision

My final decision is that I do not uphold Miss M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 20 April 2018.

Joyce Gordon
ombudsman