

complaint

Mr A complains that Oakbrook Finance Limited ("OFL") engaged in irresponsible lending to him and relied on incorrect information on his credit file.

background

Mr A says OFL didn't complete an income and expenditure form when he applied for his loan. He says he understands this is important to establish a borrower's disposable income. And he says OFL's failure to carry out this check shows it engaged in irresponsible lending to him.

Mr A also says he understands his credit file was incomplete when he took out his loan. He says this was due to a system error at the credit reference agency whereby none of the negative information was showing. And he says this made his credit score look much better than it really was at the time.

So, Mr A says he wants OFL to write off the loan together with the interest on it. And he wants it to remove the default it's put on his credit file.

OFL says lenders are required to make an affordability assessment proportionate to the type and amount of the loan. It says in addition to the checks it makes its decisions are also based on other factors, including the information customers give it about their income and affordability. It says it's therefore reliant on customers giving it accurate information when they apply for loans.

OFL also says on Mr A's application for a loan of £1,000 he stated he was employed with an annual income of £50,000. It says credit checks showed he had only six active credit accounts with less than £200 total active unsecured credit in use. And it says this information combined with the outcome of its checks indicated the monthly contractual instalment of £115.96 would fall within affordability limits.

In addition, OFL says it critically assesses the details of customers' credit reports to ensure it provides reasonable and affordable loans. It says it's reviewed the credit report it obtained on Mr A when he applied for his loan and it's found no evidence to suggest the information in it was incorrect. It says Mr A's credit report showed he had historic defaults, the most recent being settled six months previously. It says there was no active payday lending and his active debt level was only £100 over six accounts. And it says generally its applicants do have a poor or limited credit history and this is reflected in the interest rates applied to its loans.

So, OFL says it's confident it acted responsibly in making a loan of £1,000 to Mr A.

Our investigator thought Mr A's complaint shouldn't be upheld.

Mr A disagreed with the investigator's conclusions. So, the matter's been referred to me to make a final decision.

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 decided not to uphold Mr A's complaint and I'll explain why.

There's not a set list of checks that a lender must carry out before making a loan. Rather, the checks should be proportionate to the circumstances, including the amount of the loan.

OFL's given us copies of Mr A's current credit file and the one it relied on when it decided to make a loan to him. I'm satisfied from reviewing the contents of these documents that OFL had the correct credit file when it made its lending decision. I'm also satisfied there wasn't anything in Mr A's credit file that should've led OFL to conclude it would be irresponsible to lend to him, bearing in mind the type and amount of loan he'd applied for.

I note OFL also relied on the information Mr A gave it about his income, but it didn't carry out an income and expenditure assessment. I think this additional check would've been desirable. But in view of the information I've seen about Mr A's finances at the time, I think an income and expenditure assessment would've shown he had more than enough disposable income to cover the loan repayments of around £115 per month. So, I can't conclude OFL's decision to lend him £1,000 was irresponsible.

I understand Mr A's since experienced financial difficulties and I've sympathy for him. But, for the reasons I've explained, I don't think OFL's decision to make a loan of £1,000 to him was irresponsible at the time. And this means I can't uphold Mr A's complaint.

my final decision

I don't uphold Mr A's complaint against Oakbrook Finance Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 13 October 2018.

Robert Collinson
ombudsman