

complaint

Mrs H complains that Oakbrook Finance Limited (trading as Likely Loans) should not have approved her loan applications as the loans were unaffordable. Mrs H is represented in her complaint by Mr M.

background

In November 2017 Mrs H applied online to Likely Loans for a £2,000 loan over 24 months. She maintained her repayments and in May 2018 she applied online for an additional £1,000 extending her loan period for a further 36 months.

In June 2018 Mrs H complained to Likely Loans that the loans were unaffordable. She said that if Likely Loans had carried out the proper checks it would have found that she had a bad payment history. Her credit reference file would have shown that she had defaults recorded against her and that her level of debt had increased massively over the years.

Likely Loans said that in approving Mrs H's applications it had carried out checks proportionate to the type and amount of the loans being requested. It had reviewed Mrs H's credit reference file and taken account of the income and other information she had provided. It had applied its own internal assessment processes to that information in deciding whether it should lend to Mrs H, and was satisfied that it should.

Mrs H was unhappy with this response. She wanted Likely Loans to write off her outstanding balance, refund interest she had paid and remove any negative information it had recorded on her credit file.

In summary, our adjudicator's view was that Likely Loans had not done anything wrong here. Likely Loans had used Experian to carry out its credit checks and had provided us with evidence it had done so. Mrs H's credit file did show a judgment dated October 2012 and a default dated June 2015. The adjudicator said that as these were not recent he didn't think they should have stopped Likely Loans from approving Mrs H's application. And the fact that someone historically had a record of bad debt wouldn't necessarily prevent a lender from lending. The decision to lend was a legitimate commercial one at the discretion of the lender, subject to it first carrying out relevant and proportionate checks.

Prior to her complaint, Mrs H had not missed any loan repayments or contacted Likely Loans to say that she was in financial difficulty. It was therefore not apparent that she was struggling to make the repayments as she says she was.

Mrs H was unhappy with the adjudicator's view and asked for an ombudsman's decision. She said the only reason she had been able to maintain her repayments was by borrowing from other lenders. She had increased her overall level of indebtedness and got into a spiral of debt, which had adversely affected her physical and mental health.

my findings

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

Mrs H is complaining that Likely Loans should not have approved her loans because they were unaffordable given her other financial commitments and bad debt history. She believes that Likely Loans didn't carry out the affordability checks it should have done.

All lenders are required to assess loan applications for affordability as part of their approval process and to carry out credit checks. But there isn't a standard mandatory list of checks as these will vary depending upon, amongst other things, the amount of the loan, whether it is secured or unsecured and the income and other financial commitments of the applicant. The checks should be proportionate to the risks both to the borrower and the lender and will almost always include a credit reference check. Lenders then legitimately make their own decisions on whether to lend, which is a commercial judgment for them.

Affordability will always be a consideration, but it is a time specific judgement. A loan that a borrower finds affordable at the start of the loan might subsequently prove to be unaffordable some months down the line due to an unexpected change in the borrower's circumstances. But where this happens it doesn't mean that the loan was unaffordable at the outset.

Likely Loans approved Mrs H's applications using the information she had provided about her financial position and it checked her credit reference file. Although the file showed that in the past Mrs H had struggled to maintain repayments on some debts Likely Loans judged that these problems were sufficiently distant for it not to refuse Mrs H's current applications. I see no reason to criticise Likely Loans for its decision to lend in these circumstances.

After her first application was approved Mrs H consistently made on-time repayments. And so when she applied for a top-up loan a year later she had a good repayment history with Likely Loans and it approved her second smaller loan application.

Mrs H has said that she was only able to maintain repayments by borrowing from other providers and by increasing her overall level of indebtedness leading her into a spiral of debt. She has said she was on benefits and struggling with her health, which was made worse by her worry about the debt she was in.

But as she didn't approach Likely Loans about any of this I'm afraid that I cannot reasonably conclude that the company should have known about her difficulties. Additionally I cannot hold Likely Loans responsible for decisions made by the other lenders Mrs H was involved with.

In summary, and based on the evidence I have seen, I don't consider that Likely Loans had any reason to think that Mrs H might subsequently find the loans unaffordable at the time it approved her applications.

my final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 22 March 2019.

June Brown
ombudsman

