

complaint

Mr B complains about Oakbrook Finance Limited, trading as 'Likely Loans' ("Likely Loans") in relation to two loans he received from them. He feels that this lending was irresponsible and failed to take into account his other debts. He wants Likely Loans to refund all the interest he has paid to date, and for interest to be paid to him. He also wants details of the loans to be removed from his credit file.

background

Mr B has previously used payday lenders, and has a default registered on his credit file from 2013.

In 2015, he applied to Likely Loans for a £3,000 loan. He indicated in his application that the purpose of the loan was to consolidate his debts. He declared his income as around £28,000 per year and said that he was living with family.

Likely Loans accepted his application and released funds to him in late 2015. This was repayable over 24 months at around £180 per month.

Mr B made regular payments on his loan and settled this in January 2018.

In the meantime, however, Mr B built up other debts, and in February 2018 he took out a loan with another provider for £4000.

Mr B then applied for a second loan with Likely Loans, for £5000. In his application Mr B declared that he had an income of around £36,000 per year, and that he was living with family, with outgoings of around £800 per month. In fact, Mr B was at that time unemployed and was renting a property in London at high monthly cost.

Likely Loans approved Mr B's application and released funds to him shortly afterwards. This was repayable over 36 months at a little over £300 per month.

Mr B subsequently made his payments on the loan on time.

Mr B complained to Likely Loans in late 2018. He felt that Likely Loans had been irresponsible in lending to him when he had issues in his credit history and had other debts. He felt that the loan repayments were not affordable.

Likely Loans sent him its final response in January 2019, rejecting his complaint.

Likely Loans set out that when Mr B had applied for his first loan, Likely Loans carried out credit checks and were aware of the default in his history. It said that Likely Loans accepted applications from customers with imperfect credit and that Mr B met the criteria for borrowing. It also noted that Mr B's declared income of £28,000 per year and low outgoings meant that it considered the loan affordable.

In respect of the second loan application, Likely Loans again completed a credit check which met its criteria. It also took into account that Mr B had previously held a loan which he repaid in full and on time. He had declared that he was employed and had low outgoings which led Likely Loans to consider the loan affordable.

Mr B was not happy with that response and contacted us.

One of our adjudicators has looked into Mr B's complaint and set out their view to the parties. This was that Likely Loans had carried out reasonable checks before approving the loans, and could expect information provided by applicants to be accurate. She therefore did not consider that Likely Loans had done anything substantially wrong.

Mr B has not accepted that view and asked for an ombudsman 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 have, in particular, had regard to the information Mr B provided in his applications, and the information held in his credit file.

This shows that Mr B had previously held a large number of short term loans over periods of up to a few months. It also showed that at the time of applying for his second loan he had outstanding debt of around £10,000.

As Mr B was aware of the cycle he had experienced, and was aware that he was finding his monthly income insufficient to meet his outgoings I can see why he feels that, looking back, Likely Loans was wrong to lend to him and made his debt situation worse.

I do, however, have to look at whether Likely Loans acted irresponsibly at the time, based on the information available to it.

In respect of the first loan, I can see that there were details of short term loans on his credit report, and a default, which could have alerted Likely Loans to the cycle Mr B was in. Likely Loans did, however, market itself as being a lender who would deal with customers who had had difficulties with credit before.

In his application, Mr B indicated that he wanted to use the loan for debt consolidation and so the presence of short term loans in his credit history would have been consistent. Mr B's credit report demonstrated that, other than the default, he had made the vast majority of his payments on time. When combined with the information he gave about his income and outgoings it appeared that his overall level of debt was not disproportionate and the repayments were affordable. I therefore think that it was reasonable for Likely Loans to agree the first loan.

Similarly, when Mr B applied for the second loan, his credit report showed a significant level of debt, but debts which had been consistently paid. In addition Likely Loans had its own records of Mr B making his payments and settling his loan from 2015 a short time earlier.

Whilst in the context of Mr B being unemployed and having London rent to pay, his debt would seem a lot, it would not have been disproportionate to his declared income if this had been accurate. Likely Loans were not aware of Mr B's true position and it appeared, based on the information available to Likely Loans, that the loan was affordable. I therefore do not think that Likely Loans was irresponsible in its decision to lend to Mr B.

As a result, whilst I understand that Mr B will be disappointed by this decision, I do not uphold his complaint and do not ask Likely Loans to do anything further.

I note that Mr B has experienced difficulties and that he is in a position where the repayments on the second loan have become unaffordable to Mr B, but this was not apparent at the time of lending. Should he discuss his difficulties with Likely Loans and seek to change his arrangement, Likely Loans is required to treat him positively and sympathetically.

my final decision

For the reasons set out above, I do not uphold Mr B's complaint and do not ask Oakbrook Finance Limited to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 22 November 2019.

Laura Garvin-Smith
ombudsman