

## **The complaint**

Mr L complains that Oodle Financial Services Limited trading as Oodle Car Finance (Oodle) acted irresponsibly by entering into a hire purchase agreement that he said he couldn't afford to repay.

Mr L in bringing his complaint is represented by a third party. For ease of reading, I will only refer to Mr L in my decision.

## **What happened**

In December 2019 Mr L acquired a car when he entered into a hire purchase agreement with Oodle. The cash price of the car was £14,739, Mr L made a deposit of £2,000. After interest and charges were applied the total amount repayable was £18,660.48. This was repayable over 48 monthly instalments with the first and last instalment being £395.01 and 46 monthly instalments of £345.01.

Mr L said Oodle hadn't sufficiently checked his financial situation at the point of the agreement. He said if they had they would have seen he'd multiple loans and had utilised his credit card limits to the full. He also said he'd used his overdraft facility to cover the £2,000 deposit. He complained to Oodle.

Oodle said they'd carried out proportionate checks to make sure the lending was affordable for Mr L. They said they'd checked Mr L's credit file which showed he'd three credit cards, two unsecured loans, a mortgage, telecommunications and utility accounts. The credit file showed all the accounts were being managed well. Oodle said they'd assessed Mr L's affordability by considering his declared income against his credit commitments and used statistical data for cost of living and car running costs. They said that this showed Mr L would be able to sustain the monthly repayments and so they'd agreed to lend to him.

Mr L wasn't happy with Oodle's response he said they should have considered the level of his existing indebtedness and checked further into his financial situation. He referred his complaint to us.

Our investigator couldn't say whether Oodles' s checks were proportionate with the information they'd sent to us. But after reviewing Mr L's bank statements he said he was satisfied the lending was affordable.

Mr L didn't agree and asked for an ombudsman to decide.

## **What I've decided – and why**

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

I appreciate Mr L will be disappointed by my decision but having done so I'm not upholding this complaint. I'll explain why.

The rules that apply to credit agreements are set out in the consumer credit sourcebook

(CONC) of the Financial Conduct Authority's handbook. Section 5.2A of CONC is relevant guidance as it covers the need for businesses like Oodle to complete reasonable and proportionate creditworthiness assessments before agreeing to lend.

So, in reaching my decision I need to consider:

1. Did Oodle complete reasonable and proportionate checks to satisfy themselves that Mr L would be able to sustainably repay the borrowing?

a. If they did, was the decision to then lend to Mr L fair?

b. If they didn't, would reasonable and proportionate checks have shown that Mr L could sustainably repay the borrowing?

2. Did Oodle act unfairly or unreasonably in some other way?

The affordability checks should be "borrower-focused", meaning Oodle need to think about whether repaying the loan sustainably would cause difficulties or adverse consequences for Mr L. In other words, it wasn't enough for Oodle to think only about the likelihood that they would get their money back without considering the impact of repayment on Mr L himself.

There's no set list for what reasonable and proportionate checks are. But I'd expect lenders to consider the specific circumstances of the loan application. What constitutes a proportionate affordability check will generally depend on several factors such as the specific circumstances of the borrower, their financial history, current situation and whether there are any indications of vulnerability or financial difficulty.

Oodle said they'd made their assessment based on Mr L's declared income. And that they'd checked his credit file and used statistical data from an official source to assess cost of living and car running costs. Oodle said based on this information the monthly repayment of £345.01 was affordable.

Whether or not these checks were proportionate depends on various factors, including the size and length of the loan, the cost of credit, and what Oodle found. The total amount repayable for the loan was over £18,000 and Mr L would be indebted for four years - so I think the checks needed to be thorough.

CONC allows firms to use statistical data in their affordability assessments unless they have reason to suspect that a customer's non-discretionary expenditure is significantly higher than that described in the data.

I haven't been shown the data Oodle based their assessment on and given Mr L had three credit cards totalling a credit limit of £23,550, a mortgage and two unsecured loans I think he'd a high level of indebtedness. So, I'm not satisfied Oodle did proportionate checks - I think they should have done more to understand Mr L's financial situation.

This doesn't automatically mean Oodle shouldn't have lent to Mr L as I need to consider whether further checks would have shown that the repayments were unaffordable to him - or in other words that he lost out because of Oodles's failure to complete proportionate checks.

I've looked at statements for Mr L's bank account for the three months leading up to his application to Oodle. I'm not saying Oodle needed to look at Mr L's bank statements, but they provide a good indication of Mr L's income and expenditure at the time the lending decision was made.

I can see from Mr L's bank statements that his salary averaged across the three months was around £4,938. I've also considered his regular financial commitments for his mortgage, utilities, council tax, food, petrol, insurance, media, communications, childcare - and I've included amounts Mr L would have needed to pay against his credit cards if they were fully utilised and repaid over a reasonable period. This I think would have left Mr L with a monthly disposable income of around £1,500 before the new lending was factored in.

Mr L said he used his overdraft facility to pay the £2,000 deposit. I can see Mr L regularly used his overdraft to manage his finances over the three months prior to the lending. But I can't see that his overdraft usage was significantly impacted by the deposit payment as his level of usage remained around about the same.

After considering the information Mr L has provided it appears to show that when his committed regular living expenses and existing credit commitments were deducted from his monthly income, he did have the funds, at the time he entered into the agreement to sustainably make the repayments due under this agreement.

While I think Oodle's checks before entering into this hire purchase agreement with Mr L mightn't have gone far enough, I'm satisfied that carrying out further checks won't have stopped Oodle from providing these funds or entering into this agreement.

So, I'm satisfied that Oodle didn't act unfairly towards Mr L when they agreed to provide the funds. And I'm not upholding this complaint. I appreciate that this will be disappointing for Mr L. But I hope he'll understand the reasons for my decision and at least consider that his concerns have been listened to.

Taking all of the above into account I don't think Oodle has made an unfair lending decision as Mr L had sufficient disposable income to sustain his repayments.

### **My final decision**

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 1 May 2024.

Anne Scarr  
**Ombudsman**