

## **The complaint**

Mr S says Oakbrook Finance Limited irresponsibly lent to him.

## **What happened**

Mr S took out a loan for £2,000 over 24 months in September 2022. The monthly repayments were £132.70 and the total repayable was £3,192.96. He says the loan should not have been approved without reviewing his bank statements, and his credit file clearly showed he had financial problems.

Oakbrook said it carried out affordability and credit checks and there was no evidence to suggest the loan would be unaffordable for Mr S.

Our investigator did not uphold Mr S's complaint. He said the lender's checks were proportionate and it made a fair lending decision based on the results.

Mr S disagreed and asked for an ombudsman's review. He said the loan was of no benefit to him and only added to his financial pressure. He also pointed out that this service had upheld a different complaint he'd made about a loan taken out only five months earlier.

## **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.

Our approach to unaffordable/irresponsible lending complaints is set out on our website and I've followed it here.

The rules and regulations when Oakbrook lent to Mr S required it to carry out a reasonable and proportionate assessment of whether he could afford to repay what he owed in a sustainable manner. This is sometimes referred to as an affordability assessment or an affordability check.

The checks also had to be borrower-focused. So Oakbrook had to think about whether repaying the credit sustainably would cause any difficulties or adverse consequences for Mr S. In other words, it wasn't enough for Oakbrook to simply think about the likelihood of it getting its money back, it had to consider the impact of the loan repayments on Mr S.

Checks also had to be proportionate to the specific circumstances of each loan application. In general, what makes up a proportionate affordability check will be dependent upon a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount, type and cost of credit they have applied for.

In light of this, I think that a reasonable and proportionate check ought generally to have been more thorough:

- the lower a customer's income (reflecting that it could be more difficult to make any repayments to credit from a lower level of income);
- the higher the amount due to be repaid (reflecting that it could be more difficult to meet higher repayments from a particular level of income);
- the longer the period of time a borrower will be indebted for (reflecting the fact that the total cost of the credit is likely to be greater and the customer is required to make repayments for an extended period).

There may also be other factors which could influence how detailed a proportionate check should've been for a given application – including (but not limited to) any indications of borrower vulnerability and any foreseeable changes in future circumstances. I've kept all of this in mind when thinking about whether Oakbrook did what it needed to before agreeing to lend to Mr S. So to reach my conclusion I have considered the following questions:

- did Oakbrook complete reasonable and proportionate checks when assessing Mr S's loan application to satisfy itself that he would be able to repay the loan in a sustainable way?
- if not, what would reasonable and proportionate checks have shown?
- did Oakbrook make a fair lending decision?
- did Oakbrook act unfairly or unreasonably in some other way?

I can see Oakbrook asked for certain information before lending to Mr S. It asked for his income and verified this externally. It asked about his employment and residential status. It asked about his housing and living costs and checked these using national statistics and mortgage data from his credit check, using the higher number each time. It added a buffer to his living costs. It carried out a credit check to understand his credit commitments and credit history. I cannot see that Oakbrook asked about the purpose of the loan. From these checks combined it concluded Mr S would have £1,638.89 monthly disposable income after taking on this new loan and so it was affordable.

I think these checks were proportionate given the value and term of the loan and I think Oakbrook made a fair lending decision based on the results of its checks. I'll explain why.

Mr S declared a gross annual income of £42,792 and Oakbrook successfully verified a monthly net income of £3,560 externally. It took his housing cost of £599.50 from its credit check and used national statistics to assume living expenses of £750, to which it added a £50 buffer. His credit check showed his existing credit commitments were £395 per month - so not a concerning proportion of his net income. And nor would they rise to a significant level after taking on this loan such that I think Oakbrook needed to carry out further checks.

The credit check showed Mr S had £11,900 of debt across 13 active accounts. There were no defaults or CCJs on his file. All of his active accounts were up-to-date and within their credit limits - one credit card had a zero balance. I note there were late payments on two of his credit cards in the six months prior. However, they were both back up-to-date at this time and I don't think it would have been reasonable to decline Mr S's application solely on that basis.

So, in the round, I think it was fair for Oakbrook to conclude that Mr S wasn't struggling financially and had the disposable income needed to sustainably repay this loan.

Mr S says Oakbrook didn't review his bank statements before lending. But there is no set list of checks a lender has to complete and therefore no obligation for it to do this. And for the reasons set out above I find Oakbrook's checks were proportionate.

To be clear, I am not saying that Mr S was not under financial pressure, rather that it would not have been proportionate for Oakbrook to complete the level of checks needed to learn this. I would add that a lender's credit check might not show everything Mr S could see on his full credit file – there can be timing differences and not all lenders report to all the agencies.

Mr S also raised that a complaint he brought about a loan he took out five months earlier was upheld. But the circumstances of that application differed in a number of ways including the loan term and value, and what the lender learnt whilst carrying out its initial checks. We assess each case on its individual merits.

I have not found any evidence that Oakbrook treated Mr S unfairly in some other way.

### **My final decision**

I am not upholding Mr S's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 11 April 2024.

Rebecca Connelley  
**Ombudsman**