

Complaint

Miss H complains that Oodle Financial Services Limited (“Oodle”) unfairly entered into a hire-purchase agreement with her. She’s said that the monthly payments to this agreement were unaffordable.

Background

In October 2019, Oodle provided Miss H with finance for a used car. The purchase price of the vehicle was £7,595.00. Miss H paid a deposit of £95 and borrowed the remaining £7,500.00 she needed to complete her purchase, from Oodle.

The loan had interest, fees and total charges of £4,787.80 (comprising of interest of £4,687.80, a document fee of £50 and an option to purchase fee of £50), and a 60-month term. This meant that the total amount to be repaid of £12,287.80 (not including Miss H’s deposit) was due to be repaid in a first monthly instalment of £253.13 followed by 58 monthly instalments of £203.13 and then a final instalment of £253.13.

Miss H’s complaint was considered by one of our investigators. He didn’t think that Oodle had done anything wrong or treated Miss H unfairly. So he didn’t recommend that Miss H’s complaint should be upheld.

Miss H disagreed with our investigator and the complaint was passed to an ombudsman for 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.

We’ve explained how we handle complaints about irresponsible and unaffordable lending on our website. And I’ve used this approach to help me decide Miss H’s complaint.

Having carefully considered everything, I’m not upholding Miss H’s complaint. I’ll explain why in a little more detail.

Oodle needed to make sure that it didn’t lend irresponsibly. In practice, what this means is that Oodle needed to carry out proportionate checks to be able to understand whether any lending was sustainable for Miss H before providing it.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify that information – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low, the amount lent was high, or the information the lender had – such as a significantly impaired

credit history – suggested the lender needed to know more about a prospective borrower's ability to repay.

Having carefully thought about everything I've been provided with, I'm not upholding Miss H's complaint. I'd like to explain why in a little more detail.

Oodle says it agreed to this application after Miss H provided details of her salary of £16,000.00. It says it also carried out credit searches on Miss H which showed some relatively low outstanding balances and no significant adverse information such as defaulted accounts or County Court Judgments ("CCJ"). And when reasonable payments for the the amount owing plus a further estimates for Miss H's living expenses were deducted from her monthly income the monthly payments were still affordable. On the other hand, Miss H says the monthly payments were unaffordable.

I've thought about what Miss H and Oodle have said.

The first thing for me to say is that Oodle didn't simply accept Miss H's declarations at face value as it carried out credit checks. And given what Oodle would have seen on the credit checks suggests that Miss H didn't owe much and was managing her existing credit well, at the time at least, it's arguable that it was reasonable to rely on an estimate of Miss H's living costs, rather than finding out more about what they actually were. I say this particularly as Miss H said that she was living at home with her parents at the time of this application.

Furthermore, and in any event, I don't think that Oodle carrying out further checks is more likely than not to have made a difference here. I say this because I'm satisfied that Oodle is still likely to have lent to Miss H even if it had found out more about her actual living expenses.

I say this because I wouldn't have expected Oodle to carry out a forensic analysis of her income and expenditure. I think that, at best, Oodle could have asked Miss H a bit more about her regular living expenses. And I think that if it had done this here, Oodle was more likely that not to have concluded that Miss H could sustainably make the repayments due under this agreement.

I accept it's possible that Miss H's actual circumstances at the time might have been worse than what the information shows. For example, I've seen what Miss H has said about earning less than the amount that she declared and the fact that she went on maternity leave shortly after this agreement was taken out. But Oodle won't have known this. All it could do was make a decision based on what it had, or is likely to have had, had it done proportionate checks.

Overall and having carefully considered everything, while it's arguable that Oodle's checks before entering into this hire purchase agreement with Miss H could have gone further, I'm satisfied that carrying out further checks won't have stopped Oodle from providing these funds, or entering into this agreement with Miss H. So I'm satisfied that Oodle didn't act unfairly towards Miss H when it agreed to provide the funds.

I'm therefore not upholding Miss H's complaint. I appreciate that this will be disappointing for Miss H. But I hope that she'll understand the reasons for my decision - namely why I think that proportionate checks are likely to have shown the payments to this agreement were affordable - and she'll at least consider that her concerns have been listened to.

My final decision

My final decision is that I'm not upholding Miss H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 6 June 2024.

Jeshen Narayanan
Ombudsman