

The complaint

Miss G complains that Oakbrook Finance Limited trading as Likely Loans lent irresponsibly when it approved three loans between 2016 and 2019.

What happened

In May 2016 Miss G applied for a loan of £1,500 over 36 months with Likely Loans. In her application, Miss G said she had an income of £20,400 a year. Likely Loans says it carried out a credit search and found Miss G had existing monthly repayments of £200.37 to other lenders. Likely Loans says it applied housing and living costs of £744.56 to the application and found Miss G had around £372.25 remaining as disposable income each month. Likely Loans says the application passed its lending criteria and it approved the loan for £1,500 plus interest with a monthly payment of £82.75.

Miss G made all the monthly payments to the first loan. In August 2017, Miss G applied for a second loan with Likely Loans, using part of the funds to repay the first loan. Likely Loans says Miss G confirmed her income again and found she had around £1,582.31 a month after deductions. Housing and living expenses of £744.56 were used by Likely Loans along with £254.97 of payments to existing creditors each month. Likely Loans says Miss G's credit file didn't show any new adverse information or missed payments. Likely Loans says it applied its lending criteria and found Miss G would've had £575.55 available before making the new loan repayment of £90.98.

In May 2019, Miss G applied for a third loan with Likely Loans, this time for £1,000. Some of the funds were used to repay the second loan Miss G took out. In this application, Likely Loans calculated she'd have an income of £1,314.65 after deductions each month. Living expenses and housing costs of £687.39 were applied to the application. A credit search found Miss G was making payments of £145.01 to her other creditors each month. Likely Loans calculated Miss G had £406.29 available before her new loan payment of £75.96 was approved. Likely Loans says that would've left Miss G with around £330 a month after making the new loan repayment.

Miss G's third loan was repaid at the end of the 24 month term without any missed payments.

Last year, representatives acting on Miss G's behalf complained to Likely Loans that it had lent irresponsibly when approving her applications. Likely Loans issued a final response on 3 January 2024 but didn't uphold Miss G's complaint. Likely Loans set out the checks it had carried out and advised the applications had all been approved in line with its lending criteria.

An investigator at this service looked at Miss G's complaint. They asked Miss G's representatives to provide copies of her bank statements but they weren't provided. The investigator reviewed the available information but wasn't persuaded Likely Loans had lent irresponsibly and didn't uphold Miss G's complaint. Miss G's representatives asked to appeal, so her complaint has been passed to me to make a decision.

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.

Before agreeing to lend, the rules say Likely Loans had to complete reasonable and proportionate checks to ensure Miss G could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;
- The total sum repayable and the size of regular repayments;
- The duration of the agreement;
- The costs of the credit; and
- The consumer's individual circumstances.

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

As Miss G took three loans with Likely Loans, I'll look at each in turn. When Miss G applied for the first loan, she provided information about her income to Likely Loans. I can see Likely Loans also applied living expenses and housing costs to the application. I'm satisfied Likely Loans used a reasonable figure for that purpose. Likely Loans also carried out a credit search to get a picture of Miss G's existing commitments. It found Miss G was making monthly payments totalling £200.37 for her existing debts and that there was no evidence of adverse credit or recent missed payments on her credit file. I note Miss G was applying for a reasonably modest amount, even after interest was applied. And I'm satisfied the level and nature of the checks Likely Loans completed were reasonable and proportionate to the loan she applied to take.

The information available to Likely Loans indicated Miss G had a reasonable disposable income that was sufficient to cover the new monthly repayment of £82.75. I'm sorry to disappoint Miss G but I haven't been persuaded Likely Loans lent irresponsibly.

Miss G applied for a second loan with Likely Loans in August 2017. By this point, Miss G had built up a good track record of payments with Likely Loans with no arrears. The second loan was used to repay the original loan and provide some further funds to Miss G. Again, Likely Loans took details of Miss G's income and completed a credit search. No new adverse information was found. Miss G's existing monthly repayments of £254.97 were factored into Likely Loan's lending assessment and it found she had a disposable income of around £575 before making the new loan repayments of £90.98. In my view, the level and nature of the checks Likely Loans carried out when considering whether to approve the second loan were reasonable and proportionate to the amount Miss G wanted to borrow and the application she made. I haven't seen anything that would've shown Likely Loans Miss G was struggling or experiencing financial difficulties. I'm sorry to disappoint Miss G but I haven't been persuaded that Likely Loans lent irresponsibly when it approved the second loan she applied for.

A third loan application was made in May 2019. By this time, Miss G had successfully made her monthly repayments to both of the first two loans. Likely Loans used Miss G's income and outgoings again to reach a disposable income figure of £406.29 before making her new

loan payment of £75.96. I can see that Miss G had a default around 11 months before her loan application was made. But I'm satisfied Likely Loans was aware of the default and associated cost of repaying the debt and factored it into the application. Overall, I'm satisfied the checks Likely Loans carried out were reasonable and proportionate to the third loan Miss G applied for. I'm sorry to disappoint Miss G but I haven't been persuaded that Likely Loans lent irresponsibly when it approved her third loan application.

I've considered whether Likely Loans acted unfairly in some other way. Likely Loans has confirmed that Miss G never advised she was struggling or experiencing financial difficulties. And I think it's fair to say that Miss G's loan repayments were all made on time to Likely Loans, with the final loan being repaid at the end of its term in May 2021. I haven't seen anything that shows Likely Loans failed to step in or provide support to Miss G or that there were signs she was experiencing financial difficulties.

As I'm satisfied Likely Loans carried out reasonable and proportionate checks before approving all Miss G's loans and I haven't been persuaded it lent irresponsibly, I'm unable to uphold her complaint.

My final decision

My decision is that I don't uphold Miss G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G to accept or reject my decision before 15 July 2024.

Marco Manente
Ombudsman