

The complaint

Mr G, who is represented by a third party, complains that Oodle Financial Services Limited (“Oodle”), trading as Oodle Car Finance, irresponsibly granted him a hire purchase agreement he couldn’t afford to repay.

What happened

In July 2021, Mr G acquired a used car financed by a hire purchase agreement from Oodle. Mr G was required to make an initial payment of £283.52 followed by 58 payments of £233.42 and then a final payment of £283.42. The capital price of the car was £9,495 and the total repayable under the agreement was £14,605.20. Mr G paid a deposit of £500.

The account was settled in July 2023.

The car was intended for Mr G’s daughter, but Mr G was responsible for making the payments due under the terms of the agreement.

Mr G says that Oodle didn’t complete adequate affordability checks. He says if it had, it would have seen the agreement wasn’t affordable. Oodle didn’t agree. It said that it carried out a thorough assessment which included using credit checks and statistical data.

Our investigator didn’t recommend the complaint be upheld. He thought Oodle didn’t act unfairly or unreasonably by approving the finance agreement.

Mr G didn’t agree and said Oodle ought to have carried out better checks at the time.

The case has therefore been passed to me for a final 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.

Oodle will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don’t consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

Oodle carried out checks to see if the agreement would be affordable. Oodle asked Mr G about his income and says it carried out an affordability assessment to see if he could meet the repayments sustainably. Oodle also says it relied on national statistics data to help it to calculate if the agreement was likely to be affordable. The regulator has said firms can estimate expenditure unless it knows or there are indicators to suggest an estimate is unlikely to be accurate.

The credit check Oodle completed for Mr G shows he had been managing his recent credit well. However there was a history of a number of accounts going into default, the most

recent one being in March 2017. Each of these defaults had been satisfied. However, there was an unsatisfied county court judgement from February 2016. Mr G was operating six credit cards, two mail order accounts and too loans. He also held two bank accounts and two loans in joint names. I agree with our investigator that meeting these repayments based on his credit usage at the time was costing him around £1,100 each month.

From all this I think, taken together with the fact that Mr G was planning to borrow a relatively large sum repayable over a five year period, there was a risk that Mr G could start to struggle with meeting the repayments for the agreement. I've kept in mind that the county court judgment was more than 5 years earlier. And whilst it would be a concern to Oodle to see this and the other defaults, it wouldn't automatically be enough to exclude him from being granted this credit. I say this in the knowledge that Oodle's customer-base includes those with county court judgments and who for that and other credit-related reasons have experienced problems obtaining credit elsewhere. But I do think that even though this and the defaults were historical, given their number and the total amount he still owed, it would have been reasonable and proportionate for Oodle to have done more to better understand Mr G's specific financial circumstances. Oodle also doesn't seem to have taken steps to verify Mr G's income before approving the finance.

I've considered what Oodle would likely have found if it had completed reasonable and proportionate affordability checks. One of the ways that Oodle could have verified Mr G's expenditure was by reviewing bank statements in the run-up to the lending decision. In the absence of anything else, I've reviewed bank statements from around the time of the lending which I think give a good indication of what Oodle would likely have found had it completed proportionate checks.

The statements show that Mr G's typical monthly income was around £2,700. He would need to pay his household costs and credit commitments from that and still be able to sustainably fund the new agreement. To be meeting all these costs he would need around £1,400. His credit costs could easily increase if he used more of his available credit. I've also noted that our investigator calculated a higher figure based on what Mr G owed being repaid more sustainably. But even allowing for that Mr G would be able to meet the £233 required under the agreement and still have a good level of disposable income. Such income would then be available to pay for the possibility of increased household costs as well as car running costs, unanticipated and emergency household expenses and occasional leisure spending.

Mr G has disagreed with our investigator's findings and raised several points which I have considered. He says his actual earnings were less and has sent us HMRC figures to support this. Information prepared for this purpose wouldn't have been available to Oodle at the time. So I think the available bank statements give a better indication about what Mr G's income and financial commitments at the time were likely to have been. I've also kept in mind that Mr G had told Oodle when he made his application that his gross income was around £42,000. He didn't suggest that his income stream was variable. Whilst I'd expect to Oodle to carry out checks to verify Mr G's income, this was clearly the level of income Mr G was comfortable relying upon in order to secure the finance.

Taking these figures into account, I think the agreement was likely to be affordable to Mr G. I'm therefore not persuaded that Oodle acted unfairly in approving the finance.

It follows that I don't think Mr G has been able to demonstrate that the agreement was unaffordable. So I can't reasonably conclude that Oodle ought to have known he might struggle to make the repayments. I'm therefore not persuaded that Oodle acted unfairly in approving the finance.

I've considered whether the relationship between Mr G and Oodle might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Oodle lent irresponsibly to Mr G or otherwise treated him unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

For the reasons I've given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 6 August 2024.

Michael Goldberg

Ombudsman