DRN-4866797

Complaint

Mr G has complained about a loan Oakbrook Finance Limited (trading as "Likely Loans") provided to him. He says he shouldn't have been lent to and this would have been apparent had his credit file been looked at properly.

Background

Likely Loans provided Mr G with a loan for £5,000.00 in July 2022. This loan was due to be repaid in 36 monthly instalments of £223.58. One of our investigators reviewed what Mr G and Likely Loans had told us. And he didn't recommend that Mr G's complaint be upheld. Mr G disagreed and asked for an ombudsman to look at his complaint.

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 unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Mr G's complaint.

Likely Loans needed to make sure that it didn't lend irresponsibly. In practice, what this means is Likely Loans needed to carry out proportionate checks to be able to understand whether Mr G could afford to repay before providing this loan.

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 it – 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 or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

Likely Loans says it agreed to Mr G's application after he provided details of his monthly income and some information on his expenditure. It says it cross-checked this against information on a credit search it carried out and this showed Mr G could afford to make the repayments he was committing to. On the other hand, Mr G has said he was in financial difficulty.

I've carefully thought about what Mr G and Likely Loans have said. The first thing for me to say is Likely Loans didn't just simply accept what Mr G said. It carried out credit searches which showed that he didn't have any recent significant adverse information such as defaults or County Court Judgments ("CCJ") recorded against him. The defaults and CCJ Mr G had were historic and I don't think that this meant that he shouldn't have been lent to.

Furthermore, while Mr G has provided evidence of having previously taken payday loans, which doesn't in itself mean that he shouldn't have been lent to, his unsecured credit commitments weren't excessive in comparison to his income.

I accept that Mr G appears to be suggesting that his actual circumstances may not have been fully reflected either in the information he provided, or the information Likely Loans obtained. I know that Mr G has said that he struggled to make his repayments.

I'm sorry to hear about what Mr G has told us. But it's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong. In Mr G's case, Likely Loans' checks didn't appear to indicate that Mr G might have been struggling and most importantly they did not suggest that £5,000.00 was a large amount for Mr G and more importantly that the sort of checks Mr G now insists should have been carried out, needed to be carried out at the time.

For the sake of completeness, I should add that at best, even if I were to accept that further checks were necessary, which I'm not necessarily persuaded is the case here, any such checks would only have gone as far as finding out more about Mr G's regular living costs. And I've not anything to indicate that further information on Mr G's actual living costs would have seen Zopa make a different lending decision in this instance.

As this is the case, I don't think that Likely Loans did anything wrong when deciding to lend to Mr G - it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable.

For these reasons, I don't think Likely Loans lent irresponsibly to Mr G or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A Consumer Credit Act 1974 would, given the facts of this complaint, lead to a different outcome here. So I'm not upholding this complaint.

I appreciate this will be very disappointing for Mr G. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mr G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 5 August 2024.

Jeshen Narayanan
Ombudsman