

## **The complaint**

Mr B says Oodle Financial Services Limited trading as Oodle Car Finance ('Oodle'), irresponsibly lent to him. He says that he was already struggling financially when the loan was approved and Oodle should have made better checks and seen this.

Mr B complains through a representative, but for ease of use I'll refer to both Mr B's and his representatives' comments as coming from Mr B.

## **What happened**

In July 2019, Oodle provided Mr B with a finance agreement to purchase a used car. The vehicle had a retail price of £7,850. Mr B paid a deposit of £150. The loan was to be repaid over 60 instalments. The first repayment was for £239.29. There was a further 58 monthly instalments of £189.23 and a final payment of £239.29. If Mr B made repayments in line with the credit agreement, he would need to repay a total of £11,607.40.

Mr B did have some problems repaying the loan, but I understand that it is now settled.

Mr B has complained to Oodle saying that he was in financial difficulty when Oodle approved the lending. He was using other short term and high-cost credit providers and he was overdrawn on his current accounts. Because of these factors he didn't have enough disposable income to have been able to sustainably repay the loan.

Mr B also complained about the level of commission that the loan had. After some discussions with our Investigator, Mr B withdrew this element of his complaint. I'm only looking at the irresponsible lending part of the issues Mr B has raised.

Oodle considered this complaint, it said it thought it had done adequate checks, which showed that Mr B could afford the lending. Because of this it didn't uphold Mr B's complaint. It also said that it provided full information to Mr B about the loan prior to lending. Mr B didn't agree with this and brought this complaint to the Financial Ombudsman Service

Our Investigator upheld Mr B's complaint. He thought that Oodle hadn't made proportionate checks as it hadn't really considered Mr B's expenditure. He said that as part of the complaint Oodle had calculated that up to the time when the loan was granted Mr B was regularly overspending although I understand that Mr B's representative had made these calculations. And so, it wasn't reasonable to say that he could afford the loan repayments.

Oodle didn't agree with the Investigator. It said that having now looked at Mr B's bank statement information it still thought that the loan was affordable for him. If his essential expenditure of just over £1,300 was considered against his income of about £2,800 a month he was left with enough left over to repay the lending sustainably.

Because Oodle didn't agree, this matter has been passed to me to make 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.

When someone complains about irresponsible and/or unaffordable lending, there are two overarching questions I need to consider in order to decide what's fair and reasonable in all of the circumstances of the complaint. These are:

1. Did Oodle complete reasonable and proportionate checks to satisfy itself that Mr B would be able to repay the credit in a sustainable way?
  - a. if so, did Oodle make a fair lending decision?
  - b. if not, would reasonable and proportionate checks have shown that Mr B could sustainably repay the borrowing?
2. Did Oodle act unfairly or unreasonably in some other way?

And, if I determine that Oodle didn't act fairly and reasonably when considering Mr B's application, I'll also consider what I think is a fair way to put things right.

### Did Oodle complete reasonable and proportionate checks to satisfy itself that Mr B would be able to repay the credit in a sustainable way?

There's no set list for what reasonable and proportionate checks are, but I'd expect lenders to consider things such as the amount, duration, and payments of the finance being applied for, as well as the borrowers' personal circumstances at the time of each application.

Oodle says that it confirmed that Mr B was employed and that his income was £36,250 a year. It has also provided some copies of Mr B's bank statements which I understand it used to verify his income.

Oodle found out what Mr B's existing credit commitments were from his credit file. The information it has provided showed that it found out that that he had seven active credit accounts. He was up to date with four of these, but he was behind on his repayments to three of them and had entered into arrangements to pay them.

Other than finding out some information about his existing credit, Oodle doesn't seem to have asked, or found out about, Mr B's expenditure. It's said that it used Office of National Statistics ('ONS') data to estimate his living expenses. Oodle hasn't provided the amounts that it used to estimate Mr B's income. After doing these checks it thought that the monthly repayments would be affordable to him.

But this was long term commitment and I think it should have done more here to find out what Mr B's expenditure was, particularly as he was behind on some of his existing credit repayments. So even if Oodle could fully demonstrate what it did, I don't think this would be enough to show that it had made adequate checks.

So, I'm not satisfied that these checks were reasonable and proportionate.

### Would reasonable and proportionate checks have shown that Mr B would be able to repay the credit in a sustainable way?

I've gone on to consider what Oodle would likely have found had reasonable and proportionate checks been carried out.

Mr B has provided an up-to-date copy of his credit report and I've also seen the information that Oodle gathered when Mr B applied for the credit.

Based on both of these it's clear that Mr B had other credit when he applied for finance with Oodle, and he wasn't maintaining all of the payments to these. The information Oodle has provided shows that Mr B was behind on one of his utility repayments. Mr B's current credit report shows that one of these lines of credit is with a debt recovery organisation, but it's not clear if it was at the time the lending was arranged. So, there are indications from the credit report that Mr B was experiencing financial difficulties. And Oodle would have known about this.

Mr B has provided copies of his bank statements for the period March 2019 to June 2019. While I wouldn't have expected Oodle to have asked Mr B for copies of these (I understand it may have seen some bank statements), I'm satisfied that the statements would give a good indication of what Oodle would likely have taken into consideration had it asked Mr B to prove his income and committed expenditure during that specific period.

Looking at the bank statements, and the credit file information, I think it's reasonable to these confirm that Mr B was in difficulty.

The bank statements, and the calculations made by Mr B's representative based on these, show that Mr B did earn around £2,850 a month. His fixed expenditures on things such as rent, and his other committed bills and credit, looks to be around £1,250 a month. But I don't think this tells the full story.

The amounts Mr B was paying to his credit arrangements does seem to be relatively modest which you would expect if he had made arrangements to pay a lower amount. Despite this, as our Investigator said, Mr B was spending more than he was earning in the months up to when he took the loan even with the reduced amounts he was paying to his creditors. Whilst this wasn't by a very large amount he wasn't, at the time, living within his means.

And Mr B was using other forms of credit such as high cost and short-term loans. These are products that are typically used when a person is experiencing short to medium term money problems, and they need some assistance with this. So, Mr B was behind on some of his existing credit, and he was using expensive forms of credit to, presumably, alleviate some of these problems. It isn't enough to say that Mr B *should* have enough left over when his regular and committed bills had been paid, when the evidence shows that he wasn't able to reliably pay his existing bills.

So, I still don't think it would be reasonable to say that Mr B would have been able to repay this lending sustainably. And Oodle would have seen this if it had made proportionate checks and so it now needs to put things right.

Did Oodle act unfairly or unreasonably in some other way?

I haven't seen anything to make me think Oodle acted unfairly or unreasonably in some other way.

### **Putting things right**

Mr B made use of the credit facility Oodle provided, and he purchased a car with this. So, it's fair that he pays the car price. However, Oodle shouldn't have approved his loan application. So, I don't think it's fair that he should pay any interest and charges. So, Oodle should refund these, with interest.

Oodle should:

- refund anything Mr B paid above the cash price of the car of £7,850;
- apply 8% simple yearly interest on the refund, calculated from the date Mr B made the overpayments to the date of the refund<sup>†</sup>; and
- remove all adverse entries relating to this agreement from Mr B's credit file.

<sup>†</sup>HM Revenue & Customs requires Oodle to take off tax from this interest. Oodle must give Mr B a certificate showing how much tax they've taken off if he asks for one.

### **My final decision**

For the reasons I've explained, I uphold Mr B's complaint. Oodle Financial Services Limited should put things right by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 23 October 2024.

Andy Burlinson  
**Ombudsman**