

The complaint

Mr M complains that Oodle Financial Services Limited (Oodle FS) was irresponsible in its lending to him. He wants all interest and charges paid under his hire purchase agreement refunded along with interest and any negative information removed from his credit file.

What happened

Mr M said that when he took out the hire purchase agreement in September 2021 with Oodle FS he already had another car finance agreement in place. The repayments due under the Oodle FS agreement were for £335.49 a month over 60 months. He said the repayments were unaffordable and he lost sleep and was caused stress worrying about how to meet the repayments each month.

Oodle FS issued a final response to Mr M's complaint dated 18 March 2024. It said that it carried out the required affordability checks before the lending was provided. Oodle FS said that during the application process, Mr M declared an annual gross income of £30,240 and that he was a private tenant. It explained that it carried out the affordability check based on Mr M's declared income, his financial commitments taken from his credit file and estimated costs for his general living expenses including running his car. Based on these checks, Oodle FS concluded the lending was affordable.

Mr M referred his complaint to this service.

Our investigator noted that Mr M's hire purchase agreement started in September 2021 and was settled in July 2022. He reviewed the checks that Oodle FS carried out and given the information received he thought it would have been prudent for Oodle FS to have gained a better understanding of Mr M's income and non-discretionary expenditure before providing the finance. He considered what would have been identified had further checks taken place but as he didn't think these would have suggested the lending to be unaffordable, he didn't uphold this complaint.

Mr M didn't accept our investigator's view. He said the fact he had two car finance agreements in place at the same time hadn't been taken into account and while his wife's earnings had been included in the assessment her debts hadn't been. He said that his mental health had suffered because of this lending.

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.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit

being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

Before providing finance to Mr M, Oodle FS gathered information about his employment, income and residential status and checked his credit report. Mr M said he was employed with an annual income of £32,240, and that he was a private tenant. The credit check results showed that Mr M had four credit cards, one of which was opened the previous month. The outstanding balances on three of the credit card accounts were close to the limits but there was no adverse information recorded on these. Mr M had other active accounts - two current accounts, two communications accounts, three loans and a hire purchase agreement – which he appeared to be managing well. Mr M had several settled defaults as well as two outstanding defaults. The outstanding defaults had default dates of December 2018 and February 2019.

The defaults recorded on Mr M's credit record were historic and as he appeared to be managing his active accounts without any significant issues, I do not find that this information meant that the lending shouldn't have been provided. But noting Mr M's previous credit history, the amount of existing credit commitments he had and the term of the new finance and amounts repayable, I think that Oodle FS should have carried out further checks to ensure it had a clear understanding of Mr M's financial circumstances before lending.

Mr M has provided copies of his bank statements and I have looked through these to understand what Oodle FS would likely have identified had further checks taken place. Based on Mr M's bank statements he was receiving a regular income from the employer he noted in his application, and this averaged around £2,100 in the months leading up to the finance being provided. This is in line with the annual income figure Mr M declared. I note that there was an additional income being paid into the account of around £1,570 and benefits of £84.60 each month.

The bank statements show regular payments being made for rent, council tax, utilities, communications contracts and insurance as well as spending on general living costs such as food and fuel. These averaged around £1,700 a month. These payments were made from Mr M's joint account. Given this, it would be reasonable to either base the calculation of affordability on the joint incomes less total expenses or to consider the costs as being split and Mr M being responsible for half of these against his income. I note our investigator considered the total income against total expenses and I agree that based on those calculations that the Oodle FS agreement appeared affordable. But given the comment Mr M has made in regard to the calculations, I have also considered the outcome based on Mr M's sole income and his share of costs.

Additional to Mr M's share of housing and other living costs, he had credit commitments as set out in his credit report. While I can see Mr M made larger payments towards his credit card, I find it reasonable to include in the assessment the amounts he was required to pay towards his existing commitments. These were recorded on the credit check that included just Mr M's commitments as £424 a month but adding to this an amount to cover payments towards his credit cards, I find credit commitments of around £700 is reasonable. Taking Mr M's income of £2,100 and deducting his share of the costs (£850) and his existing credit commitments (£700) would leave around £550 which suggest the repayments of £335.49 were affordable.

I note the comment Mr M has made about having another hire purchase agreement at the time. The repayments towards this have been included in the assessment. However, I note that Mr M's existing hire purchase agreement was subject to a complaint at the time and so had this been questioned by Oodle FS it is likely Mr M would have said this agreement would be coming to an end.

Taking everything into account, while I am sorry to hear of the difficult time Mr M has experienced, I do not find in this case that I have enough to say that further checks would have shown the Oodle FS agreement to be unaffordable.

I've also considered whether Oodle FS acted unfairly or unreasonably in some other way given Mr M's complaint, including whether its relationship with him might have been viewed as unfair by a court under s.140A Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Oodle FS lent irresponsibly to Mr M or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 16 December 2024.

Jane Archer
Ombudsman