

The Complaint

Mr S complains that Admiral Financial Services Limited (“Admiral”) irresponsibly lent to him.

What happened

Admiral lent Mr S a loan for £8,000 in November 2021, the loan was due to be repaid on 36 monthly instalments of £255.47.

Mr S has complained that he couldn’t afford the loan and has struggled to keep up with his repayments. Admiral didn’t agree it had done anything wrong and so Mr S referred his complaint to the Financial Ombudsman Service where it was looked at by one of our investigators.

Our investigator ultimately thought Admiral shouldn’t have lent to Mr S as further checks would have showed he was struggling financially. Admiral disagreed and asked for an ombudsman to decide the complaint. In disagreeing, it said:

- Mr S’ loan was a consolidation loan which made sense in the circumstances.
- It verified his income using an industry wide tool.
- Mr S was left with sufficient disposable income even if he didn’t consolidate his other debts.

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.

We’ve set out our general approach to complaints about unsecured lending - including all of the relevant rules, guidance and good industry practice - on our website.

Admiral needed to take reasonable steps to ensure that it didn’t lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mr S could afford the loan before lending. These checks aren’t prescriptive but could take into account a number of different things, such as how much was being lent, the repayment amounts and the consumer’s income and expenditure. Admiral was also expected to react to the information its checks revealed.

Admiral has said Mr S’ income at the time was £27,000 annually, it said it verified this using an industry wide tool. It worked out Mr S monthly income was around £1,827.89. It said it used data from the Office of National Statistics (ONS) to determine that Mr S’ monthly expenses were £427.79. Admiral searched Mr S’ credit file and saw he was making monthly mortgage repayments of £350 and other monthly credit commitments of around £290.28. Admiral says the loan was for debt consolidation and as Mr S’ revolving credit debt was similar to the loan amount, it made sense Mr S used its loan to repay his revolving credit which would ultimately have put him in a better position as he’d have saved on interest.

I've carefully looked at all the information and I can see Mr S declared his gross income as £27,000 and although he didn't declare his monthly credit commitments, he declared £350 for his mortgage payments and £630.55 for his living costs. The living costs Mr S declared is different to the ONS figure Admiral has used and it hasn't provided any details about the divergence.

It is also clear from the results of Admiral's credit search that Mr S was repaying other credit even though he didn't declare this. In my opinion given the length of this loan and what Mr S appeared to have declared in his application, I think there was enough here to make Admiral curious about Mr S' financial circumstances beyond what it saw. At least it should have been looking to verify Mr S living expenses, given he declared a higher amount and the ONS data showed a lower amount, which Admiral chose to use instead.

I'm also mindful that based on the calculation by Admiral, Mr S was left with a disposable income of over £750 if he had consolidated his debt and around £504 if he hadn't consolidated it. These amounts of disposable income are two to three times more than his loan repayments and there is cause for concern here about why Mr S would have such disposable amounts available and need to borrow to consolidate revolving credit he should be able to easily repay.

Admiral didn't do enough to react to the information it saw, and I don't think its checks went far enough. It should have asked further questions and verified Mr S' monthly expenses before agreeing to lend.

Mr S has provided his bank statements from the time and from what I can see, Mr S wasn't getting an income from employment in the traditional sense, most of the income into his account was from gambling/crypto currency exchanges. Mr S was spending significant sums on gambling monthly. This is not the picture of a consumer who is able to afford the loan in a compliant manner and had Admiral taken its checks further like I think it should, it would have seen this and wouldn't have lent to Mr S as he couldn't afford it. This was borne out in Mr S struggling to repay the loan within a short time of the loan term.

Admiral has lent when it shouldn't have, and it needs to put things right.

Putting things right

To put things right, Admiral should:

- Remove interest, fees and charges applied to the loan.
- Treat payments made by Mr S as payments towards the capital of £8,000. If this results in overpayments, Admiral should add 8% simple a year on any refunded interest and charges from the date they were paid (if they were) to the date of settlement†.
- If however, there's still an outstanding balance, Admiral should agree a suitable repayment plan with Mr S.
- Once the loan has been repaid, Admiral should remove any adverse information about the loan from Mr S' credit file.

† HM Revenue & Customs requires Admiral to take off tax from this interest. Admiral must give Mr S a certificate showing how much tax it's taken off if he asks for one.

My final decision

For the reasons give above, I uphold this complaint and direct Admiral Financial Services Limited to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 1 April 2024.

Oyetola Oduola
Ombudsman