

Complaint

Miss M has complained about a loan Admiral Financial Services Limited (trading as “Admiral Loans”) provided to her. She says that the loan was unaffordable given her circumstances at the time.

Background

Admiral Loans provided Miss M with a loan for £12,000.00 in September 2021. It had an APR of 8.5% and a 60-month term. This meant that the total amount to be repaid of £14,666.40, which included interest, fees and other charges of £2,666.40, was due to be repaid in 60 instalments of £244.44.

One of our investigators reviewed what Miss M and Admiral Loans had told us. And she thought that Admiral Loans hadn’t lent irresponsibly. So she didn’t uphold Miss M’s complaint.

Miss M disagreed and asked for an ombudsman to look at her 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 Miss M’s complaint.

Having carefully considered everything, I’m not upholding Miss M’s complaint. I’ll explain why in a little more detail.

Admiral Loans needed to take reasonable steps to ensure that it didn’t lend irresponsibly. In practice, what this means is that Admiral Loans needed to carry out proportionate checks to be able to understand whether Miss M could afford to make her repayments 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 provide loans to a customer irresponsibly.

Admiral Loans says it approved Miss M’s application after she provided details of her monthly income and some information on her expenditure. It says it cross-checked this

against statistical data and information on a credit search it carried out which showed Miss M's existing commitments were relatively well maintained at the time.

In Admiral Loans' view all of the information it gathered showed that Miss M could afford to make the repayments she was committing to. On the other hand, Miss M has said she already had a lot of debt and so she couldn't afford this loan.

I've carefully thought about what Miss M and Admiral Loans have said.

As Admiral Loans asked Miss M about her income and expenditure and also carried out a credit check, it's clear that Admiral Loans did obtain a reasonable amount of information from Miss M before it decided to proceed with her application. Having looked at the credit check, it's clear Miss M had some existing debts.

However, while I accept that Miss M might not agree with this, I don't think that these were excessive. Furthermore, the information from the time shows that Miss M's selected loan purpose was debt consolidation. I don't know whether Miss M did go on to consolidate some of her debts with the proceeds of this loan in the way that she indicated she would. But Admiral Loans could only make a reasonable decision based on the information it had available at the time.

Admiral Loans won't have known whether Miss M would actually pay off her existing balances – all it could do was take reasonable steps and rely on assurances from Miss M that this would be done with the funds from this loan. So I'm satisfied that the proceeds of this loan could and should have been used to clear a significant proportion of the existing debt that Miss M had and which she is now arguing meant that she shouldn't have been provided with this loan in the first place.

Equally, as this was a first loan Admiral Loans was providing to Miss M, there wasn't a history of Miss M obtaining funds and then failing to consolidate debts elsewhere in the way she committed to either. So Admiral Loans was reasonably entitled to believe that Miss M would be left in a better position after being provided with this loan.

There is an argument to say that, at the absolute most, Admiral Loans ought to have found out more about Miss M's actual regular living expenses, rather than relying on statistical data, bearing in mind the amount of the monthly payment and the term of this loan.

Where a firm failed to carry out reasonable and proportionate checks before providing credit to a customer, I need to recreate reasonable and proportionate checks in order to get an indication of what such checks would more likely than not have shown. So I've looked at the information Miss M has provided to get an idea of what Admiral Loans is likely to have learned if it had found out more about Miss M's actual regular living expenses.

In particular, I've looked at the current account statements Miss M has provided for the period leading up to the loan application. In doing so, I accept that Miss M says seeing this information would have prevented Admiral Money from lending to her. However, I don't think that Admiral Loans needed to obtain bank statements from Miss M. It just needed to get an idea of Miss M regular living costs and contracted monthly expenditure.

Furthermore, the statements provided do appear to show that when Miss M's regular living costs and monthly expenditure are deducted from what she received, Miss M does appear to have enough in funds left over to make the increased repayments needed for the limit increases offered. This is particularly the case when the payments to the debts which should have been consolidated are removed from Miss M's expenditure as they should be.

As this is the case, I don't think that Admiral Loans did anything wrong when providing this loan to Miss M - it is arguable that it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable. In any event, even if Admiral Loans had asked Miss M for more information about her regular living costs and contractually committed expenditure here this wouldn't have made a difference to its decision to lend.

In my view, requesting further information would simply have reassured Admiral Loans that if Miss M did go on to repay her existing debts with the proceeds from this loan as her recorded loan purpose indicated she would, she would have been in a significantly better financial position.

So overall and having considered everything, I'm satisfied that Admiral Loans didn't treat Miss M unfairly or unreasonably when lending to her. And I'm not upholding Miss M's complaint. I appreciate this is likely to be very disappointing for Miss M. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Miss M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 19 February 2024.

Jeshen Narayanan
Ombudsman