

Complaint

Mr M has complained about a loan Admiral Financial Services Limited (trading as “Admiral Loans”) provided to him. He says the loan was unaffordable as he’d recently taken another loan and already had debts with other creditors.

Background

Admiral Loans provided Mr M with a loan for £5,000.00 in October 2022. This loan had an APR of 29% and a 48-month term. This meant that the total amount to be repaid of £8,048.16, which included interest fees and charges of £3,048.16, was due to be repaid in 48 monthly instalments of £167.67.

One of our investigators reviewed what Mr M and Admiral Loans had told us. And she thought that Admiral Loans hadn’t done anything wrong or treated Mr M unfairly. So she didn’t recommend that Mr M’s complaint be upheld. Mr M 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 M’s complaint.

Having carefully considered everything, I’ve not been persuaded to uphold Mr M’s complaint. I’ll explain in a bit more detail.

Admiral Loans needed to make sure that it didn’t lend irresponsibly. In practice, what this means is Admiral Loans needed to carry out proportionate checks to be able to understand whether Mr M 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.

Admiral Loans provided Mr M with a loan for £5,000.00 in October 2022. This loan was due to be repaid in 48 monthly instalments of £167.67.

Admiral Loans says it agreed to Mr M’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 a bank statement that Mr M provided. And all of this information showed Mr M could afford to make the repayments he was committing to. On the other hand, Mr M has said the loan was unaffordable.

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

The first thing for me to say is that Admiral Loans manually underwrote Mr M's loan and it obtained quite a bit of information before deciding to lend to Mr M. So it wasn't simply a case of Admiral Loans relying on an overoptimistic declaration of disposable income.

Admiral Loans has provided a record of the results of the credit searches it carried out. These credit searches appear to show that Mr M did have some existing debts. However, Mr M's debt total at the time of the applications wasn't unreasonable in comparison to his income and his commitments were relatively well maintained. Furthermore, while the credit checks didn't include the loan Mr M had recently taken, with another lender, as that lender hadn't started reporting on it yet, this loan was showing on Mr M's bank statement.

It is my understanding that payments for Mr M's other loan were not only factored in Admiral Loans' assessment of Mr M's income and expenditure, but Admiral Loans also questioned Mr M on why he required a second loan in these circumstances. Admiral Loans has provided a recording of the telephone call in question. And having listened to this telephone call, it's clear that Mr M was questioned robustly on this matter. In response to this questioning, Mr M said that the combined funds from both loans would be used to purchase a car and renovate a garden.

I accept that Mr M's actual circumstances may not have been fully reflected either in the information he provided, or the information Admiral Loans obtained. For example, Mr M refers to having a lower income and higher expenditure because of his other loan. I'm also sorry to hear that Mr M has been unwell and is on medication. But I can confirm that Admiral Loans did use a lower income for Mr M (based on what the bank statement showed) and its expenditure assessment included all of Mr M's expenditure – including the loan that didn't show up in the credit searches.

Equally, the key thing here is that it's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong. Given the amount advanced, the monthly payments, the lack of obvious inconsistencies, the results of its questioning and what the bank statements showed, I'm satisfied that Admiral Loans was reasonably entitled to lend to Mr M based on all this information.

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

So overall I don't think that Admiral Loans treated Mr M unfairly or unreasonably when providing him with his loan. And I'm not upholding Mr M's complaint. I appreciate this will be very disappointing for Mr M. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

Although I'm not upholding Mr M's complaint, I would remind Admiral Loans of its obligation to exercise forbearance and due consideration in the event Mr M is having difficulty making payments.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 17 January 2024.

Jeshen Narayanan
Ombudsman