

Complaint

Mr S has complained about a loan Admiral Financial Services Limited (“Admiral Loans”) provided to him.

He says the loan was unaffordable and it made his financial position worse as he had to borrow further to make his repayments.

Background

Admiral Loans provided Mr S with a loan for £7,500.00 in October 2021. This loan had an APR of 18.8% and a 60-month term. This meant that the total amount to be repaid of £11,341.80, which included interest fees and charges of £3,841.80, was due to be repaid in 60 monthly instalments of £189.03.

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

Mr S 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 S' complaint.

Having carefully considered everything, I've not been persuaded to uphold Mr 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 S 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 S with a loan for £5,000.00 in October 2021. This loan was due to be repaid in 36 monthly instalments of £189.03.

Admiral Loans says it agreed to Mr 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 payslips, a bank statement it obtained from Mr S and a credit search it carried out. And all of this information showed Mr S could afford to make the repayments he was committing to.

On the other hand, Mr S has said the loan was unaffordable and should never have been provided to him in the first place.

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

The first thing for me to say is that Admiral Loans has provided a record of the results of its credit searches. Admiral Loans searches appear to show that Mr S did have some existing debts. However, Mr S' debt total at the time of the applications wasn't unreasonable in comparison to his income and his commitments were relatively well maintained.

I accept that Mr S' actual circumstances may not have been fully reflected either in the information he provided, or the information Admiral Loans obtained. It's also possible that Admiral Loans might have reached a different conclusion on the loan had it requested statements for Mr S' other account. However, it's clear that Mr S had provided the bank statements for his main account as this is where he received his salary and where his bills were being paid from.

It's clear that Mr S was transferring funds to another account. But as Mr S' commitments were being maintained and he didn't appear to be excessively indebted, I wouldn't expect Admiral Loans to have requested the bank statements for Mr S' bank account. There simply wasn't the level of concerning transactions on the statement Mr S provided to suggest that a more in depth review involving all of Mr S' bank accounts was necessary.

As Mr S had taken active steps to conceal the activity (by using a different account) he's now saying means his complaint should be upheld, I can't reasonably say that Admiral Loans ought to have been aware of it, or that it ought to have taken it into account.

Given the amount advanced, the monthly payments and the lack of obvious inconsistencies in the information obtained, I'm satisfied that reasonable and proportionate checks didn't extend into requesting bank statements for other accounts and Admiral Loans was reasonably entitled to lend to Mr S based on the information that it did have.

As this is the case, I don't think that Admiral Loans did anything wrong when deciding to lend to Mr S - 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 S unfairly or unreasonably when providing him with his loan. And I'm not upholding Mr S' complaint. I appreciate this will be very disappointing for Mr S. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 27 November 2023.

Jeshen Narayanan
Ombudsman