

The complaint

Mr S complains Admiral Financial Services Ltd irresponsibly lent to him.

Mr S is represented by a third party; but for ease I'll refer to all submissions as if they were made by him directly.

What happened

Admiral approved Mr S for a £10,000 loan in March 2021. The term of the loan was 60 months; with repayments of approximately £210. The interest rate on the loan was 9.2%.

Mr S complains Admiral irresponsibly lent to him. He says Admiral did not complete reasonable and proportionate checks before approving the loan. Mr S says had it done so, Admiral would've seen his debts were higher than those declared (including a recent £25,000 loan being taken out); that he was already indebted and that he was spending a significant proportion of his income on gambling.

Our investigator didn't recommend Mr S's complaint be upheld. They felt the checks Admiral had completed were reasonable. Furthermore, they also felt that even though further checks weren't necessary, even if they had been completed then they would still likely have shown Mr S could afford the repayments.

Mr S remained unhappy with this outcome. He maintained the loan was unaffordable. He argued even if Admiral did not complete further checks; it should've seen he could not afford the repayments. This is because the checks which Admiral did complete showed Mr S had taken out a £5,000 loan recently; and was also utilising a £5,000 overdraft. Mr S also highlighted he had brought other complaints to our service about loans taken out at a similar time which had been upheld.

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.

Having done so I'm satisfied that this complaint should not be upheld. I appreciate this will come as a disappointment to Mr S, but I can assure him I've considered all of the information he has provided to our service. I appreciate Mr S may have other complaints with our service which have been upheld; but as I'm sure he is aware we consider each case on its own individual merits. And it doesn't automatically follow that this complaint should be upheld because Mr S has had others upheld. I've considered the facts and circumstances of this particular case and I'm satisfied Mr S's complaint should not be upheld.

Mr S is aware of our service's approach to irresponsible and unaffordable lending complaints; so for the sake of conciseness I won't set out the detail here and will simply say I've considered whether Admiral completed reasonable and proportionate checks before making a fair decision to lend. I've also considered whether Admiral have acted unfairly in any other way.

In this instance Admiral completed a search of Mr S's credit file and conducted third party checks on his current account to understand his likely salary. The credit search which Admiral completed demonstrated that Mr S had a non-mortgage related debt of approximately £10,000. This was effectively made up from a loan for £5,000 taken out in the months prior to this application and Mr S's overdrafts.

Admiral used this information – along with that of his visible mortgage – to calculate Mr S's likely monthly outgoings. It also used a third-party tool to cross-check Mr S's income declaration - around £35,000 per year. It says based on this information the repayments of £210 per month appeared affordable. Admiral noted that Mr S's credit file was well maintained with no negative markers appearing on it.

Mr S says Admiral should've completed further checks because the information seen by Admiral showed he was not in a position to take on further credit. He also argues even if Admiral did not complete further checks it ought've realised the loan was unaffordable to him based on the information it saw.

I've considered Mr S's first argument and I'm not persuaded by it. In this instance I'm satisfied the checks completed did not warrant further information to be gathered. Admiral is entitled to rely on the information that it is provided. Admiral has provided our service a copy of the credit report and application data it received in relation to Mr S's loan. There is no record of the £25,000 loan Mr S had recently taken out; and I've not been provided with any information which suggests Mr S informed Admiral of this loan either.

The information which Admiral did see did show Mr S had a debt of around £10,000. Bearing in mind Mr S's income, I don't consider this demonstrates that Mr S was excessively indebted, or that this ought to have prompted further checks. The unsecured loan; whilst recently taken out; was being repaid in line with expectations and the repayment was factored into Admiral's calculations.

The overdraft which Mr S says showed he was over indebted was around £5,000. Whilst I accept Admiral saw this, I'm not persuaded that an applicant utilising their overdraft alone would in itself mean further checks should be completed. I'm also mindful that the amount being provided here by Admiral was sufficient to have cleared Mr S's overdraft in its entirety (should he have wish to); and thereby had the potential to reduce the amount Mr S would have to pay going forwards.

Considering this information; I'm satisfied that the checks Admiral completed in this instance were proportionate. They gave Admiral sufficient insight into Mr S's circumstances to enable it to make a reasonable decision to lend. The information it saw did not suggest Mr S was taking out large amounts or that he was indeed gambling large amounts of money. And I've not seen evidence Mr S made Admiral aware of the above. So in the absence of contrary information I'm satisfied Admiral was entitled to rely on the information it saw. I'm also satisfied that the calculations it completed demonstrated that the loan was likely affordable to Mr S.

Turning to Mr S's second argument. He says even if Admiral didn't complete further checks then the information it had available still demonstrated the loan was likely unaffordable to him. Mr S says the fact he had taken a recent unsecured loan; and he had not reduced his overdraft showed he was in financial hardship.

Similar to above; I'm not satisfied the information which Admiral had demonstrated it made an unfair decision to lend. Admiral has provided information to our service that show the calculations it used to determine if Mr S could afford the repayments. It took into consideration Mr S's largest credit commitments including his mortgage and his unsecured

loan. The checks it completed demonstrated that Mr S's income was in line with his declared level; and that this left him with sufficient disposable income to meet this repayment. I'm satisfied these calculations were reasonable and sufficient (along with what I've outlined above) for Admiral to make a fair decision to lend.

Mr S's main argument in support of the loan being unaffordable is the fact he had around £5,000 in overdrafts and this amount had not reduced over a long period of time. As I've highlighted above the loan amount Mr S was receiving was sufficient to cover his existing overdraft; meaning he could've cleared this had he so wished too. I also note that the interest rate of this loan was around 9% which would likely have been preferable to the interest rate he was receiving on his overdrafts. So, it is arguable that he would've been in a better position as a result of this loan, making the loan more affordable to him.

Mr S's initial complaint also included the fact he was spending significant amounts of money on gambling. I've looked at the information which Mr S has provided and I can see he was indeed spending large amounts on gambling transactions. However I'm also satisfied there was not sufficient information on file to suggest Admiral ought reasonably have been aware of this issue. I note that Mr S's salary was paid into a joint account; and that the majority of the gambling transactions took place from a third account which was in his sole name. Mr S has provided our service with all of these statements and these show that Mr S transfers funds into this third sole account via a second sole account under the headings of 'expenses'. So it seems to me that Mr S's actions meant that it would have taken a level of forensic analysis, which I don't think is reasonable, for Admiral to have discovered Mr S's gambling. And considering these steps I don't think it is reasonable to have expected Admiral to have discovered these transactions and thereby take them into account when considering Mr S's affordability.

So taking all of the above into account I'm satisfied Admiral's decision to lend was reasonable in this instance. The checks it completed were proportionate, and demonstrated that Mr S was likely able afford the repayments. I'm not satisfied the information it did have demonstrated Mr S was in financial hardship; and shouldn't have been lent too. I can't see Mr S made Admiral aware of wider financial commitments he had; and as such I don't think its unfair that Admiral did not take them into account when calculating its affordability assessment.

My final decision

My final decision is that I do not uphold this complaint against Admiral Financial Services Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 2 September 2022.

Tom Whittington
Ombudsman