

## **The complaint**

Mr K complains that Admiral Financial Services Ltd trading as Admiral Money ('Admiral') provided him with an unaffordable loan without properly checking its affordability.

## **What happened**

Mr K applied for a loan from Admiral in August 2022. Admiral says that it carried out proper affordability checks, including income and outgoings, and found that Mr K could afford the payments due under the agreement.

Mr K says that the checks carried out were inadequate. He says that he did not have an income at the time and had problems with gambling. He says that a check of his bank statements would have made this clear to Admiral, and that it would not have lent the money to him. There was also a reference on Mr K's credit file to a hire purchase agreement with a large outstanding balance and monthly payments of £1. Mr K says that the monthly payments under this agreement were over £500 and therefore higher than the disposable income Admiral had identified in its checks.

Admiral says that it manually checked Mr K's credit file because of a Notice of Correction, but not in relation to the hire purchase agreement. It says that it is not responsible for the accuracy of information provided by other lenders, and here the other lender hadn't stated Mr K was in an arrangement to pay which may have flagged. It says it was entitled to rely upon this and its checks verified what Mr K had told it about the level of income to his bank account, and so it did not need to request statements or make any other enquiries.

Our investigator thought that the hire purchase agreement, as well as questions about Mr K's income, should have led to Admiral asking more questions about Mr K's financial situation. They thought that, if it had done so, it would have seen that the loan was unaffordable and not have provided it. They thought that Admiral ought to refund any fees or interest and remove any adverse information in relation to it from Mr K's credit file. Admiral did not agree and so this has come to me for a decision.

The case was passed to me and prior to completing my review, the investigator contacted Mr K to explain that if his complaint was upheld, the adverse data in relation to the loan would only be removed once any outstanding balance was repaid. He invited further comment. However, Mr K didn't add anything further.

## **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.

The rules and guidance require that lenders carry out reasonable affordability checks before lending money. What these checks will look like is not set out in the relevant guidance but will depend upon all of the circumstances of the loan.

I have considered the information which Admiral obtained during its checks. While it argues that the information which was provided by another lender in relation to the hire purchase agreement wasn't reported accurately as an arrangement to pay, and this was therefore outside of its control, I think that it was unreasonable to fail to assess the credibility of all of the information that it held as part of its process. A £1 monthly payment toward a large debt reasonably warranted further investigation irrespective of how that was noted.

Had Admiral taken reasonable steps to look into that hire purchase agreement, such as asking him about it, I think that it would have found that Mr K's regular outgoings exceeded the income it had used for its calculations. The monthly payments due under that agreement were comfortably higher than the disposable income it used in its calculations. If it had taken the further step of investigating this fact by making further enquiries, as an example, requesting to see his recent bank statements, it would have found that his spending patterns meant that the loan was not affordable to Mr K and he'd struggle to sustain repayments.

I am satisfied that Admiral unreasonably failed to assess the credibility of the information that it held about Mr K's finances, and that reasonable checks would have shown that the loan was unaffordable. While Mr K had the benefit of the money it provided to him, and so it is fair that he repays this, Admiral must ensure that Mr K is not disadvantaged by this unaffordable loan.

Separately, in terms of the adverse information on the credit file where an outstanding balance remains, or will remain, after all the interest, fees and charges adjustment have been made it's not appropriate to remove any information. This is because Mr K will normally be expected to repay this and there ought to be a record for other prospective lenders to see what's still owed. I realise this may not put Mr K in the exact position if he hadn't been given the loan, but this is it's designed to do the best we can considering everything. As per my instructions below, the adverse information should be removed once the outstanding balance is repaid.

### **My final decision**

For the reasons given above, I uphold this complaint and require Admiral Financial Services Ltd trading as Admiral Money to do the following:

1. Rework the account removing all interest and charges that have been applied to this loan.
2. If the rework results in a credit balance, this should be refunded to Mr K along with 8% simple interest per year\*, calculated from the date of each overpayment to the date of settlement. Admiral Financial Services trading as Admiral Money should also remove all adverse information regarding this account from Mr K's credit file.
3. Or, if after the rework there is still an outstanding balance, it should arrange an affordable repayment plan with Mr K for the remaining amount. Once Mr K has cleared the balance, any adverse information in relation to the account should be removed from his credit file.

HM Revenue & Customs may require Admiral to take off tax from this interest. If it does, Admiral must give Mr K a certificate showing how much tax it has taken off if he asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 31 July 2023.

Sarita Taylor  
**Ombudsman**