

The complaint

Mr M complains that Admiral Financial Services Ltd trading as Admiral Money lent to him irresponsibly.

What happened

In July 2022 Mr M applied for a loan from Admiral. Admiral approved the application and gave Mr M a loan for £9000 repayable by 36 monthly repayments of £296.11.

Mr M complained that Admiral lent to him irresponsibly. He said he was already over-extended when he applied for the loan and the loan made his situation worse.

Admiral didn't uphold the complaint. It said it had carried out proportionate checks before lending to Mr M.

Mr M wasn't happy with the response and brought his complaint to this service.

Our investigator upheld the complaint. He said that Admiral hadn't carried out reasonable and proportionate checks and that it should've obtained more information about Mr M's income and expenditure.

Admiral didn't agree. It said it had verified Mr M's income, and that it couldn't have known about Mr M's child maintenance payments because he declared that he had no dependants in his application.

Mr M didn't agree either. He didn't think it was fair that he should have to repay any of the money he'd borrowed. He said the money shouldn't have been loaned to him in the first place.

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.

We've set out our approach to complaints about irresponsible and unaffordable lending on our website. I've had this approach in mind when considering Mr M's complaint.

Before agreeing to lend, the rules say that Admiral must complete reasonable and proportionate checks to ensure that Mr M could afford to repay the loan. These checks could involve consideration of a number of factors such as the amount of the loan, the total amount repayable, the monthly repayments and the consumers financial circumstances.

There's no set list of checks a lender has to complete. But lenders are required to have regard to the factors I've mentioned above when deciding what's reasonable and proportionate.

Mr M declared income of £55,000 when he applied for the loan. Admiral used an industry data tool to verify this income and said it found the figure of £55,000 to be accurate. It

calculated Mr M's monthly income as around £3,339.

Admiral carried out an affordability check having assessed Mr M's living expenses and housing costs at around £1500 per month and his existing debt repayments at around £635 per month. Admiral calculated that Mr M had average monthly disposable income of around £1003 (before repayment of the loan).

Admiral carried out a credit search and obtained a copy of Mr M's credit report. This showed that Mr M had an existing loan of around £7500 which he was repaying at £476 per month, a credit card with a balance of around £5000 and an overdraft. In total, Mr M had unsecured debt of around £13,000.

Based on what I've seen, I don't think Admiral carried out reasonable and proportionate checks. I say this because the size of the loan is significant, and Mr M's existing unsecured debt was already high. Mr M's monthly debt repayments were already using up more than 25% of his monthly income, and we know that consumers who use more than 25% of their income to repay debt are more likely to struggle to repay debt in the future. Because of this, I think it would've been proportionate for Admiral to carry out further checks to verify Mr M's income and expenditure.

I've looked at Mr M's bank statements from May 2022 to August 2022 to see what reasonable and proportionate checks would've shown. The statements show that Mr M's average monthly income was around £2707, which comprised his salary of £2,620 and child benefit of £87. This is significantly lower than the income of £3,339 which Admiral said it had verified.

The statements also show that Mr M had regular average expenditure of around £1,282 each month. This is slightly less than the figure of £1500 used by Admiral in its affordability assessment.

I can see from the statements that Mr M was paying £20 per week to a third party, which appears to correlate to the child benefit he was receiving. He was also paying £75 per week to a third party which he's told this service was child maintenance for his daughter.

Having reviewed the bank statements, it's clear that Mr M's regular expenditure was more than Admiral calculated when it carried out its affordability assessment. I appreciate that Mr M didn't declare his child maintenance payments in his application, but if Admiral had carried out reasonable and proportionate checks, it would've discovered the extent of Mr M's expenditure. And it would've seen that Mr M didn't have sufficient monthly disposable income to make the loan repayments. If Admiral had carried out reasonable and proportionate checks I think it would've seen that the loan wasn't affordable for Mr M.

Therefore, I don't think Admiral made a fair lending decision when it lent to Mr M.

Putting things right

To put things right, Admiral should:

Add up the total amount of money Mr M received as a result of having been given the loan. The repayments made by Mr M should be deducted from this amount.

Based on the information I have, there will still be an outstanding balance. Admiral should agree an affordable payment plan with Mr M to repay the outstanding balance.

My final decision

My final decision is that I uphold the complaint. Admiral Financial Services Ltd must take the steps I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 4 July 2023.

Emma Davy
Ombudsman