

## **The complaint**

Mr M is complaining that Admiral Financial Services Limited trading as Admiral Money (Admiral) lent to him irresponsibly by providing him with a personal loan.

## **What happened**

In January 2023, Admiral approved Mr M's application for a £5,000 loan to consolidate his debts. The loan required Mr M to make 30 monthly repayments of around £224. Mr M has been making his payments on time but complained to Admiral in May 2023 saying they shouldn't have lent to him. He said it was clear from his credit history that he was unlikely to use the loan for its stated purpose of debt consolidation and instead would likely use the money to fund his gambling addiction.

Admiral responded, saying they'd carried out appropriate checks before lending to Mr M. They said they'd automatically verified Mr M's stated income and reviewed his credit file before deciding to lend to him. They'd estimated his expenditure and calculated his monthly disposable income was around £2,230. So they said the repayments were easily affordable and didn't uphold Mr M's complaint.

Mr M wasn't happy with Admiral's response so brought his complaint to our service, saying his recent increases in debt should have prompted Admiral to carry out additional checks. He noted that although the stated purpose of his two previous loans was for debt consolidation, it would have been clear to Admiral that that wasn't what had happened. Had they reviewed his bank statements they would have noticed that his debts were being used to trade contracts for difference (CFDs) online. Mr M said Admiral should have realised he was spending compulsively and therefore shouldn't have lent to him.

One of our investigators looked into Mr M's complaint and upheld it. In summary, her view was that Admiral hadn't done proportionate checks before lending to Mr M and if they had, they'd have realised it wouldn't be responsible to lend to him. She said Admiral shouldn't charge Mr M any interest or charges and should recalculate the amount he owed on that basis.

Admiral disagreed. They said they'd done enough checks, taking into account the low loan value and Mr M's low debt-to-income ratio. They added that they could see from Mr M's bank statements obtained when investigating the complaint that he had used their loan to consolidate a credit card and his overdraft as he'd intended. And they could see he'd withdrawn significant funds from his investments after taking out their loan – they felt an ombudsman should take this into consideration.

Mr M also asked for an ombudsman's decision. He said in the circumstances his outstanding balance with Admiral should be written off and all the payments he'd made should be refunded. And he said he thought Admiral should compensate him for the distress their irresponsible lending had caused him. He said he'd experienced significant distress, worry, sleepless nights and self-hatred as a result of the lending.

I issued a provisional decision on 5 June 2024. In that I said I wasn't inclined to uphold Mr M's complaint, explaining as follows:

*"What's required of lenders?"*

*The Financial Conduct Authority (FCA) sets out in a part of its handbook known as CONC what lenders must do when deciding whether or not to lend to a consumer, or when increasing the amount they lend to a consumer. In summary, a firm must consider a customer's ability to make repayments under the agreement without having to borrow further to meet repayments or default on other obligations, and without the repayments having a significant adverse impact on the customer's financial situation.*

*CONC says a firm must carry out checks which are proportionate to the individual circumstances of each case.*

*Did Admiral carry out proportionate checks?*

*Admiral checked Mr M's income using an automated income verification tool provided by one of the credit reference agencies. This type of income check is specifically listed in CONC as being acceptable. Whilst Mr M's told us he thinks Admiral should have been aware that his income wasn't guaranteed as he was a contractor, his loan application simply states that he was employed full-time, so I can't say they should have been aware of this.*

*Admiral verified Mr M's income at over £4,100 per month and carried out an affordability assessment using the figure Mr M had given them for his monthly rent (£350), payments to creditors from his credit report (£596) and statistical data to estimate his pension contributions (£207) and other living expenses (£694). CONC allows businesses to use statistical data to estimate a customer's non-discretionary expenditure unless they have reasonable cause to suspect that the data might not be reasonably representative in the customer's specific situation.*

*I haven't seen any reason that Admiral might have thought Mr M's non-discretionary expenditure might significantly differ from statistical data. His credit report shows he'd not defaulted on any accounts or missed any payments to creditors. Although he had debts totalling around £16,000, they were all being well-managed, with no indicators of any difficulties. And with annual income of £72,000, I wouldn't expect this amount of debt to have caused any concern. In addition, Admiral calculated Mr M would have disposable income of over £2,000 per month after taking into account the repayments on their loan. So there was a lot of headroom.*

*Mr M's view is that Admiral should have been aware he'd previously applied for debt consolidation loans and then not used them for their stated purpose. But these loans weren't from Admiral and a credit report doesn't show the purpose of a loan. Mr M also says Admiral should have been aware that he'd been declined finance by other providers. But the credit report says there had been three searches in the six months prior to his application – which matches the number of credit agreements which had started in the same timeframe. So I can't say Admiral should have been aware Mr M had been declined finance.*

*The credit report did show that Mr M had taken out two credit cards and a loan within the three months prior to his application to Admiral. These totalled around £9,000 so made up over half of his total debt. I'm inclined to say this ought to have prompted Admiral to ask*

*Mr M why his debt had increased so much in a short space of time. But I don't think this would have changed the outcome. On balance I think it's highly unlikely Mr M would have disclosed that he was spending compulsively. And I don't think this increase in debt alone meant Admiral ought to have obtained Mr M's bank statements – there were no other indicators of financial difficulty and all the other checks Admiral did suggested that the loan was easily affordable.*

*Did Admiral make a fair lending decision?*

*Having decided that Admiral carried out proportionate checks, I have to consider whether their decision to lend to Mr M was fair.*

*As I've set out above, Admiral determined that Mr M's disposable income after making repayments against this loan would be over £2,000 per month. That takes into account all payments to creditors, rent, pension contributions and living expenses.*

*Looking at Mr M's spending on credit commitments, it appears Admiral estimated this at 3% of the balance on his credit cards and overdrafts. However a repayment of 3% per month doesn't generally allow a consumer to pay a debt within a reasonable timeframe – instead I'm inclined to say Admiral should have used at least 5% of all credit card and overdraft balances at the time of lending. Adding on Mr M's existing loan repayments increases his monthly payments to creditors from the £596 Admiral estimated to £747.*

*I'm inclined to say Admiral made reasonable assumptions about Mr M's other expenditure. So, whilst Admiral perhaps ought to have used a higher figure for his payments to creditors, this would only have reduced Mr M's disposable income by about £150 per month and would still have left Mr M with a substantial amount for discretionary and emergency expenditure. So I'm satisfied Admiral acted fairly in deciding to lend to Mr M.*

*Mr M's told us a lot about his spending habits and the impact this has had on him. I'm very sorry to hear of this. But it doesn't change my opinion. In summary I think Admiral carried out proportionate checks in the circumstances and made a fair decision to lend to Mr M."*

Admiral didn't comment on my provisional decision. Mr M provided lengthy submissions disagreeing with my view. I have read his submissions carefully. Some of Mr M's point relate to the marketing of the loan by Admiral and the third-party platform on which he applied. Mr M hasn't raised these points previously and the majority relate to the actions of a third-party. For both reasons, I've not included those below and won't address them in this decision. In summary, Mr M's relevant points are as follows:

*Reasonable and proportionate checks*

- He disagrees with my subjective assumption that it's highly unlikely he would have disclosed his compulsive spending if Admiral had questioned the rapid increase in his debt. He insists he would have disclosed this.
- He's a professional young man and wouldn't have lied or withheld information from Admiral. His addiction meant he couldn't resist the temptation of a loan that was advertised to him as 100% chance of success, but he'd have been honest if they'd probed further.
- He reiterated that he works as a contractor so his income isn't guaranteed. At the time of the loan, he had six months left on his contract but the loan was for 30

months – this was a long time in the context of Mr M's circumstances so Admiral's checks needed to be more thorough.

- Admiral didn't take any steps to verify the accuracy of the information collected by a third-party broker. If they had, they'd have found the information wasn't entirely accurate. The broker showed "other income" of £29,000 – Mr M has no idea of the source of this but has never had this income.
- Overall, he didn't think Admiral had carried out a proper creditworthiness assessment – he said they hadn't obtained enough information and had failed to verify the accuracy of the information they did obtain. He felt I should focus on Admiral's failure to ask a very important question that is likely to have led to a very different outcome, rather than relying on a subjective assumption.
- If Admiral had conducted proportionate checks they would have realised that the proceeds of the loan would have been used for gambling.
- He asked that I explain why my approach to his case differed so much from one of the case studies on our website.

#### *What happened after the loan was approved*

- Although he had used the loan to clear his overdraft and credit card balances, these both grew back to their pre-loan levels within three weeks of the loan.
- Although he withdrew funds from his investment account, he redeposited them within weeks.
- Although Mr M's earnings suggested the loan was easily affordable, the vast majority of the repayments were made from his overdraft, which was maxed out throughout his gambling addiction.

#### **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've not been persuaded to change my mind. I'll explain why.

#### *What happened after the loan was approved*

The last three of the bullet points I've set out above relate to Mr M's finances after Admiral had approved the loan. Although I noted in the introduction to my provisional decision that Admiral had said an ombudsman should take these things into consideration, I didn't factor them in when arriving at my provisional decision and don't intend to in my final decision. My role in this complaint is to decide whether or not Admiral should have lent to Mr M. To do that I need to focus on the information that was available to Admiral at the time, not what happened after the lending decision had been made.

#### *Reasonable and proportionate checks*

As I set out in my provisional decision, Admiral automatically verified Mr M's income and reviewed his credit file. They didn't factor in the £29,000 "other income" that Mr M referred to in his submissions, and they determined the loan was affordable without it. So I haven't looked into why that figure was included in the application from the broker – it's irrelevant to Admiral's lending decision.

Mr M says the fact that he was a contractor should have led Admiral to do more thorough checks. But I can't say Admiral should have been aware of this – there was nothing on the

loan application that told them Mr M was a contractor – instead it said he was employed full-time.

Mr M's referenced one of our case studies in his submissions. It's important to note that each case is decided on the individual facts and circumstances of the case. The case study that Mr M's referenced is one about a consumer applying to her own bank for various loans. In that example, the bank had access to the consumer's bank statements and therefore detailed information about her spending habits. CONC requires a business to take into account any information of which it should be aware. But it doesn't require a business to obtain bank statements as a matter of course – that wouldn't usually be reasonable or proportionate. So the key difference is that I can't say Admiral should have obtained Mr M's bank statements or otherwise automatically been aware of his spending habits.

Mr M stated repeatedly in his submissions that he would not have lied to Admiral or withheld information from them if they'd asked why his debt had increased so much in the three months prior to his application. I would like to reassure Mr M that I didn't intend to question his integrity, honesty or ethics. I still think it would have been better if Admiral had asked Mr M about the increase in his debts. But I remain persuaded this wouldn't have changed the outcome. I'll explain why as I realise this is a significant point of contention.

Given how affordable the loan appeared to be, I don't think Admiral would have needed to investigate the increase in debt in any detail – Mr M could have provided a bland answer, perhaps even selecting from a set of options, and this would likely have been enough to satisfy Admiral's obligations.

When asked about the purpose of this, and previous loans, Mr M said at the time they were to consolidate existing debts. But Mr M's told us in his submissions that he applied for the loan to fund his addiction. And Mr M has also stated in his submissions that he was "*at the height of his gambling addiction...[so] clearly not thinking rationally*". I appreciate how difficult this must have been, but this lack of rational thinking is why I don't think Mr M would have disclosed his compulsive spending – the addiction would have meant he'd likely have done what was necessary to fuel it.

I appreciate that this is a finely balanced judgment and it'll be disappointing and upsetting for Mr M. But in the context of what Admiral knew of Mr M's income and likely outgoings, the question simply wouldn't have been that important to them. I remain of the view that it's very unlikely Mr M would have readily disclosed his addiction.

In summary, I remain satisfied Admiral's checks were broadly proportionate. Whilst they perhaps should have done more, I don't think this would have changed the outcome and they'd still have been able to fairly decide to lend to Mr M.

### **My final decision**

As I've explained above, 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 23 July 2024.

Clare King  
**Ombudsman**