

The complaint

Mr D complains that Admiral Financial Services Limited (Admiral) lent irresponsibly when it approved two loan applications he made.

What happened

Mr D applied for a loan of £4,000 in July 2021. In his application, Mr D said he was employed with an income of £42,000 a year and living with parents. Admiral says it verified Mr D's income via the credit reference agencies and also obtained a copy of his credit file. Admiral found Mr D had monthly repayments of around £541 for his existing debts. No adverse information or missed payments were found. Whilst Mr D said he was living with his parents, Admiral applied a rent figure of £500 to the application. Admiral also made an estimate of Mr D's outgoing for everyday living expenses based on ONS data and used a figure of £486.13. Admiral calculated that after making its new loan payment of £183.08 a month, Mr D would have a disposable income of around £967. Admiral approved the loan.

Mr D's credit file shows he settled the first loan in October 2021 without missing any payments.

Mr D applied for a loan of £5,000 with Admiral in February 2023. In his application, Mr D said he was employed with an income of £47,000 a year and living with parents. Admiral says it verified Mr D's income level via the credit reference agencies and also obtained a copy of his credit file. Admiral found Mr D's debt payments had reduced since his previous application at £332.89 a month. No adverse information or missed payments were found on Mr D's credit file. Whilst Mr D said he was living with his parents, Admiral applied a rent figure of £500 to the application. Admiral also made an estimate of Mr D's outgoing for everyday living expenses based on ONS data and used a figure of £694.80. Admiral calculated that after making its new loan payment of £169.20 a month, Mr D would have a disposable income of around £1,313.64. Admiral approved the loan.

Mr D's loan payments have been maintained since approval.

Earlier this year, Mr D complained that Admiral lent irresponsibly and it sent him a final response. Admiral set out the lending checks it completed but didn't agree it lent irresponsibly. Mr D went on to refer his complaint to this service and it was passed to an investigator. They thought Admiral had completed reasonable and proportionate checks before approving Mr D's loans and didn't uphold his complaint. Mr D asked to appeal and said he was taking out one loan to repay others and led to his situation spiralling. As Mr D asked to appeal, his complaint has been passed to me to make a decision.

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.

Before agreeing to lend, the rules say Admiral had to complete reasonable and proportionate checks to ensure Mr D could afford to repay the debt in a sustainable way. These

affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;
- The total sum repayable and the size of regular repayments;
- The duration of the agreement;
- The costs of the credit; and
- The consumer's individual circumstances.

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

I've looked at the information Admiral obtained when looking at Mr D's application in July 2021. Mr D provided details of his income that Admiral was able to verify via the credit reference agencies. I note Mr D said he was living with parents but to ensure its affordability calculations were reasonable, Admiral applied a rent figure of £500 to the application. Admiral used ONS data to get an estimate of £486.13 for Mr D's living expenses and I'm satisfied that was a reasonable figure to use. Admiral also looked at Mr D's credit file which didn't show any evidence of missed payments or adverse credit. I know Mr D says he was in a cycle of lending at this point, but his credit file shows he had a hire purchase agreement that made up the majority of his outstanding credit that all his borrowing was up to date and well handled.

Admiral applied its lending criteria and calculated a disposable income of £967 a month for Mr D after making his new loan payment. In my view, the level and nature of checks Admiral completed were reasonable and proportionate to the loan of £4,000 Mr D applied for. I haven't seen anything that I think should've caused Admiral to take further steps before approving Mr D's loan. I'm sorry to disappoint Mr D but I haven't been persuaded Admiral lent irresponsibly when it approved his loan in July 2021.

I think it's reasonable to note Mr D's credit file shows he settled the loan he took in July 2021 in October 2021 without missing any repayments. So when he applied for another loan with Admiral in February 2023 Mr D had a good track record. In this application, Mr D said his income had increased to £47,000 and other details remained the same. Admiral applied a higher cost of living estimate of £694.80 and I'm satisfied that was reasonable. Another credit check found Mr D's unsecured debts had reduced and his monthly repayments had come down to £332, from £541 in the previous application. No new missed payments or other adverse credit was found. Ultimately, Admiral's lending checks calculated Mr D had a disposable income of £1,313 a month after his new loan payment of £169.20 were made.

I'm sorry to disappoint Mr D but I haven't seen anything in the information Admiral obtained that indicated he was struggling financially or borrowing at an unsustainable rate. Mr D's previous loan was repaid after only a few months and his overall debt levels had reduced by a reasonable amount. I'm satisfied the lending checks Admiral completed were reasonable and proportionate to the application for a loan of £5,000 made by Mr D in February 2021 and haven't been persuaded it lent irresponsibly. As I haven't been persuaded Admiral lent irresponsibly I'm unable to tell it to refund the interest applied to Mr D's loans or uphold his complaint.

I've considered whether the business acted unfairly or unreasonably in any other way including whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Admiral

lent irresponsibly to Mr D or otherwise treated him unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

My decision is that I don't uphold Mr D's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 9 January 2025.

Marco Manente
Ombudsman