

The complaint

Mr J complains that Admiral Financial Services Limited (“Admiral”) irresponsibly provided him with a personal loan.

What happened

Admiral provided Mr J with a personal loan in February 2023. The loan was for £8,000 with a total amount payable of £11,151.72, repayable over 36 months. The monthly repayment was £309.77. I understand the account has now defaulted and is currently in arrears, although Admiral is not applying any interest to the loan, given Mr J is making reduced payments as part of a Debt Management Plan (“DMP”).

Mr J complained to Admiral. In summary he said Admiral didn’t carry out all the checks it should have done, despite it being a large loan and Mr J having a poor credit score. Mr J says he entered into a DMP as a result.

In its final response, Admiral didn’t uphold Mr J’s complaint because it didn’t agree the lending was irresponsible. In summary, it said the checks it carried out suggested the lending was affordable for Mr J, particularly given he’d stated the purpose of his loan was to consolidate his debt. Admiral noted Mr J didn’t consolidate all the debt that he said he would and had he done so, his financial situation would have improved.

Our Investigator considered both what Mr J and Admiral had said. They initially concluded Admiral had lent to Mr J irresponsibly because its affordability calculations at the time of lending didn’t leave Mr J with sufficient disposable income each month.

In response, Admiral told our service Mr J’s disposable income was in fact higher because it had inflated his housing costs and also incorrectly added an additional amount for a pension payment when in fact, this would be included in Mr J’s income figure.

Following this, the Investigator issued a second view, concluding, in summary, that Admiral had carried out proportionate checks and the lending was affordable, after removing the monthly pension figure which had originally been included when calculating Mr J’s disposable income. The Investigator also placed emphasis on the fact that Mr J said he would be consolidating some of his debt when applying for this loan.

Admiral didn’t respond to the Investigator’s second view. But Mr J didn’t agree. In summary, he said he didn’t believe Admiral had made a mistake in its calculations as it ought to have known pension contributions are deducted before tax and national insurance. So, he’d like his complaint reviewed.

Because an agreement couldn’t be reached, the complaint was passed to me to decide on the matter. I issued a provisional decision where I said:

“I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.”

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Mr J's complaint.

Having carefully considered everything provided, I'm intending to uphold Mr J's complaint – and I'll explain why.

Admiral needed to make sure it didn't lend irresponsibly. It's required to carry out proportionate checks to understand whether Mr J could afford to repay before providing the loan. This means Admiral needed to take reasonable and proportionate steps to check that making the loan repayments wouldn't cause Mr J undue difficulty or have adverse consequences.

There aren't set rules about what a proportionate check should include and a proportionate check could look different for different applications.

But we might think the lender needed to do more if, for example, a borrower's income was low, the amount lent was high, or if a borrower will be indebted for a lengthy period of time. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show it didn't continue to lend to its customer irresponsibly.

There may also be other factors which could influence how detailed a proportionate check should be, for example, any borrower vulnerability or foreseeable changes in future circumstances.

When providing Mr J with the loan, Admiral says its checks showed:

- Mr J was employed, earning around £36,000 per year, Admiral says this was verified via third-party agencies and by viewing his monthly income via open banking, in the three months leading up to the lending. Admiral's checks suggest this translated to around £2,321 per month.*
- Mr J's monthly expenses included housing costs of around £450 per month (Mr J declared £406 but Admiral increased this to £450 to include a stress buffer), existing debt payments towards unsecured lending and a hire purchase loan of around £1,029 (taken from credit reports) and an estimate of his living costs of around £726 calculated in accordance with guidelines from the Office of National Statistics. This totalled around £2,205, meaning Mr J had around £116 per month disposable income.*
- Mr J had a revolving credit balance (credit cards in this instance) of around £7,000 and combined limits of around £9,450. He also owed around £17,200 in personal loans and around £10,400 on a hire purchase agreement.*
- Mr J had a default from November 2017 which had been satisfied. He also had loans showing from 2018 to 2020 which had arrears or arrangements on them but were also all settled. Since 2020, Mr J had maintained repayments on time to creditors and there was no adverse information showing since then.*
- On a credit check from another agency, Admiral said this showed arrears, debt management plans, arrangements and a default, which Admiral says mirrored the data it found on the credit check from the first agency. Similarly, all had been satisfied no later than July 2020.*
- In the last 12 months, Mr J's external debt had increased by around £18,000.*
- Mr J had no recorded CCJs or bankruptcy.*
- Mr J declared he'd be using all of his loan to consolidate some of his debt. Admiral says the lending Mr J specified he would consolidate was visible on his credit check.*
- Admiral calculated if Mr J consolidated the list of debts he'd provided at the time of*

application, he'd reduce his monthly credit repayments by around £315. After taking into account the payment of around £309.77 for the Admiral loan, Mr J would be around £5 a month better off.

Considering the size of this loan and that Mr J would be indebted for around three years, against Admiral's calculated disposable income and Mr J's high level of indebtedness (particularly when measuring this against his income), I find Admiral ought to have carried out further checks to ensure the lending was affordable. Specifically, I think it would have been reasonable and proportionate for Admiral to find out more about Mr J's committed living expenses, rather than relying on modelled or statistical data. In any event, it seems Admiral had access to open banking but for some reason, chose to estimate expenditure. So, unlike our Investigator, I'm not persuaded Admiral's checks were proportionate.

As Admiral didn't carry out proportionate checks, I've considered what proportionate checks would have likely shown. In other words, what Admiral is likely to have seen, had it obtained further information about Mr J's committed living expenses at the time of lending.

To understand what this looked like, I've reviewed Mr J's bank statements. It's important to say that Admiral wasn't required specifically to request and check Mr J's bank statements as part of its lending checks. Instead, it needed to take reasonable steps to obtain information about Mr J's outgoings as outlined above. In this case, Admiral did have access to open banking information, but it says it no longer has the data and it's unclear what information it had. And as I've said, it appears Admiral estimated Mr J's outgoings anyway. So in the absence of this, I've relied on the statements Mr J has provided to this service.

Mr J has provided statements for two accounts he held at the time of lending and I'm satisfied I can see on those statements, Mr J's main committed living expenses such as rent, bills and other essential expenditure.

After reviewing Mr J's bank statements and deducting Mr J's monthly non-discretionary committed living expenses and credit commitments from his income, I can see he had very little, if any disposable income in the few months leading up to this lending. In fact, if I average my calculations out over this period, he was in a deficit each month. This is the case even if Mr J consolidated the debt he said he would and reduced his credit commitments each month.

So even if Mr J may have been getting a better deal by consolidating his current debt into this loan, it's only a better deal provided he could afford to make the repayments. And from the evidence I've seen, it's clear he couldn't. Whilst not on its own indicative of whether the lending was unaffordable, it's worth highlighting Mr J has fallen into difficulties repaying this loan and repaying his other debt resulting in him entering into a Debt Management Plan. Had Admiral carried out proportionate checks, I think this would have been foreseeable at the time of lending.

I'm therefore currently persuaded that Admiral shouldn't have provided this loan to Mr J.

Putting things right

As Mr J has had the benefit of the money lent to him, it's fair he should repay the capital borrowed, but he's also paid interest and charges on credit that shouldn't have been given.

So to put things right, Admiral should:

- *Add up the total repayments Mr J has made and deduct these from the total amount of money Mr J has received.*
- *If this results in Mr J having paid more than he received, any overpayments should be refunded along with 8% simple interest (calculated from the date the overpayments were made until the date of settlement).† Admiral should also remove all adverse information regarding this account from Mr J's credit file.*
- *If any capital balance remains outstanding, then Admiral should arrange an affordable repayment plan with Mr J for the remaining amount. Once Mr J has cleared the balance, any adverse information in relation to the account should be removed from his credit file.*

† HM Revenue & Customs requires Admiral to take off tax from this interest. Admiral must give Mr J a certificate showing how much tax it's taken off if he asks for one.

Finally, I've also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed above results in fair compensation for Mr J in the circumstances of this complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

My provisional decision

For the reasons I've explained, my provisional decision is that I intend to uphold Mr J's complaint and direct Admiral Financial Services Limited to settle things in the way I've outlined in the 'Putting things right' section above."

We've had no further comment or responses from either party since my provisional decision was issued – and the deadline has now passed.

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 see no reason to change the opinion I expressed in my provisional decision, given there hasn't been further comment from the parties.

For the reasons explained, I'm satisfied Admiral shouldn't have provided this loan to Mr J and must put things right in the way I've set out below.

Putting things right

As Mr J has had the benefit of the money lent to him, it's fair he should repay the capital borrowed, but he's also paid interest and charges on credit that shouldn't have been given.

So to put things right, Admiral should:

- Add up the total repayments Mr J has made and deduct these from the total amount of money Mr J has received.
- If this results in Mr J having paid more than he received, any overpayments should be refunded along with 8% simple interest (calculated from the date the overpayments were made until the date of settlement).† Admiral should also remove all adverse information regarding this account from Mr J's credit file.
- If any capital balance remains outstanding, then Admiral should arrange an affordable repayment plan with Mr J for the remaining amount. Once Mr J has cleared the balance, any adverse information in relation to the account should be removed from his credit file.

† HM Revenue & Customs requires Admiral to take off tax from this interest. Admiral must give Mr J a certificate showing how much tax it's taken off if he asks for one.

Finally, I've also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed above results in fair compensation for Mr J in the circumstances of this complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

My final decision

For the reasons set out above, my final decision is that I uphold Mr J's complaint, and I direct Admiral Financial Services Limited to settle this complaint in line with the "Putting things right" section.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 12 November 2025.

Sophie Kyprianou
Ombudsman