

complaint

Mr B and his representative complain that Admiral Financial Services Ltd irresponsibly loaned him money and they're also unhappy that it's said it will apply for a charge over his property even though he's now in a debt management plan.

background

In May 2018 Mr B applied to Admiral for a £20,000 personal loan. After completing some checks this loan was approved. Mr B has recently entered into a debt management plan with help from a debt management charity.

Mr B's representative says this loan shouldn't have been given as Mr B had a gambling problem, had just been approved for a new mortgage and had significant other unsecured debts. She says Admiral's checks weren't sufficient. It should've asked for copies of his bank statements which would've shown he'd a gambling problem and it would've declined the loan. She also thinks it's unfair of Admiral to seek to place a charge over Mr B's property given he's set up a debt management plan.

Admiral said in its final response that its lending wasn't irresponsible. It completed appropriate and relevant checks. It's accepted the offered repayments. It's also entitled to get a charging order to secure its financial interest alongside the repayment plan and if Mr B agrees the legal costs will be reduced. It doesn't intend to enforce the charge while the agreed repayments are maintained.

Our investigator felt this complaint shouldn't be upheld. In summary he said:

- Mr B applied for the loan online. In his application he said he was a home owner, had an annual salary of £100,000 and wanted the loan for home improvements. He had a responsibility to provide true and accurate information and it was reasonable for Admiral to rely on what it was told.
- Admiral completed an affordability check. This showed the declared income was correct when checked against Mr B's recent bank statement activity. A credit check also showed a mortgage, one live loan and three credit cards which were all up to date. Mr B's credit file, submitted by his representative, shows similar information although some quotation searches, general identification checks and one enquiry search on it wouldn't have been visible to a lender. Admiral didn't pick up on the new mortgage, three new loans and some searches. But this isn't its fault as it can take a couple of months for this information to be recorded and they all occurred within a month of the application for the Admiral loan. There also wasn't any other adverse information or CCJs recorded against Mr B.
- There wasn't anything to suggest Admiral should've been concerned and asked more questions. It also wasn't required to obtain Mr B's bank statements.
- The loan agreement says additional charges, fees and interest may arise if the monthly payments aren't made. And Admiral may take legal action including getting a charging order against Mr B's home.
- In this case Admiral has accepted the debt management plan and stopped interest and charges being applied to the loan. It hasn't forced or pressured him to pay more

than he can afford. This is reasonable and shows it's acted positively and sympathetically. It's also entitled to obtain a charging order over Mr B's home. It's also said if Mr B agrees to this voluntarily the legal costs will be reduced.

- Admiral hasn't acted unreasonably and he can't recommend it does anything more.

Mr B's representative remains unhappy and has asked for an ombudsman review. She says Admiral's insistence on getting a charge over Mr B's property suggests it will force a sale of the house. This gives it a very unfair and prejudicial advantage over other creditors. And if there's a forced sale other creditors will not get paid which will likely result in Mr B's bankruptcy. Admiral isn't acting fairly.

my findings

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

Before lending to Mr B, Admiral had to make sure the loan was affordable. There aren't set checks it had to carry out. But its checks should've been proportionate to things like – but not limited to – the size of the loan, the repayments and what it knew about him.

Admiral says it asked about Mr B's income and gathered data from two credit reference agencies. It says these reports were as current as possible at the time of Mr B's application.

Even so its possible some information hadn't yet reached them despite subsequently showing up on the credit report Mr B's representative has sent to us.

Admiral was entitled to rely on the information Mr B gave including his declared salary which in any event was confirmed by its checks of his bank account activity. There was nothing to suggest Mr B had given incomplete information or to alert Admiral to his gambling problem. And I don't think there was anything to concern it or to suggest it should've carried out further checks or, for example, to have asked to see his actual bank statements.

I agree with the investigator that Admiral's checks went far enough and the loan appeared affordable on the information it had.

Once Admiral became aware of Mr B's financial difficulties I think it's acted positively and sympathetically. It stopped interest and charges on the loan and has agreed to accept the repayments from the debt management plan.

Mr B's representative says Admiral is acting unfairly by seeking to obtain a charging order over Mr B's family home. But this is allowed under the terms of the loan agreement and it says its doing so to secure its financial interest alongside the repayment plan. And by asking him to agree to this it's also trying to help keep the legal costs down. That seems reasonable.

Mr B's representative also fears that if there is a forced sale of the home she and their children will suffer and other creditors may bankrupt Mr B. I understand and sympathise with her concerns. But Admiral has clearly said it doesn't intend to enforce the notice while the repayments are maintained into the debt management plan. And if Admiral were to subsequently apply for an order of sale of the home the matter would be considered by the

Court which would no doubt also take account of the effect this would have on the rest of the family members living there.

Taking everything into account I don't think Admiral's lending was irresponsible as Mr B's representative suggests. I also don't think it's acted wrongly or inappropriately since it became aware of Mr B's financial difficulties and circumstances.

Consequently although I sympathise with the problems Mr B, and his representative and family, are experiencing I don't think I can fairly or reasonably require Admiral to do anything more or differently.

I would however remind Admiral of its ongoing obligation to treat Mr B appropriately given his gambling problems and positively and sympathetically while he remains in financial difficulty.

my final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 2 February 2019.

Stephen Cooper
ombudsman