

## **The complaint**

Mr B believes AvantCredit of UK, LLC acted irresponsibly by agreeing a loan he'd applied for.

## **What happened**

Mr B applied for a £3,500 loan with AvantCredit, to be repaid over 24 months at an interest rate of 25.95%. This was approved and the loan started in March 2016, with repayments of £190.47 a month. The loan was repaid in May 2018 – two months later than scheduled in the original agreement.

Mr B has said he fell into financial difficulties shortly after taking out the loan. He's complained that AvantCredit didn't act responsibly when approving the loan, and that they didn't offer him enough assistance when he made them aware of his financial difficulties.

Our investigator thought AvantCredit could've done better. She said they only did a credit report which verified Mr B's income but didn't show detailed information about his other debts. While Mr B hadn't included any details about these in his application - he had other loans and credit cards at the time AvantCredit approved this loan. Based upon Mr B's bank statements at the time, his debt repayments were 35% of his monthly income. And, once his regular bills had been paid, he didn't have enough disposable income to cover the £190.47 monthly repayment for the AvantCredit loan.

Because of this, the investigator thought that AvantCredit hadn't done proportionate checks before approving the loan. And if they had, they would've seen that Mr B couldn't afford the loan and wouldn't be able to sustain payments over the 24-month loan period. So she recommended that AvantCredit should refund Mr B any payments he'd made, less the amount he'd originally borrowed, plus interest.

AvantCredit didn't agree with the investigator. They felt they'd fully considered all of Mr B's circumstances when approving the loan and provided a copy of the credit report they used at the time. They say Mr B had no active loans, no arrears and no defaults when the loan was approved. And he had a monthly disposable income of £176.53 *after* their payment of £190.47 had been taken into consideration.

AvantCredit also say that Mr B made all but two of the loan repayments as contractually agreed and didn't tell them he was struggling to afford the loan at any point. So they've asked for an ombudsman to make a final 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.

When someone complains about irresponsible and/or unaffordable lending, I need to consider whether the lender completed reasonable and proportionate checks to satisfy itself that the lending was affordable, and that the affordability was sustainable. Where reasonable and proportionate checks were carried out, I need to consider if the lending decision was fair. And if reasonable and proportionate checks weren't carried out, I need to consider if the loan would've been approved if the checks had taken place.

There's no set list for what reasonable and proportional checks are, but I'd expect lenders to consider things such as the amount, duration and payments of the loan being applied for; as well as the borrowers' personal circumstances at the time of each application.

AvantCredit have said that Mr B's declared monthly income was used to help determine a suitable monthly repayment and was confirmed against the information on Mr B's credit report. They've also said they identified existing credit commitments from the credit report, which they cross-referenced against Mr B's declared obligations. This confirmed the loan was affordable, and Mr B's repayment history showed he'd not been in arrears in the previous 12-months. So they don't think it was irresponsible to lend him the money.

AvantCredit did an Affordability Report, which shows Mr B's total debt had increased by over £2,000 in the last 12-months, and that his total unsecured debt was more than three times his monthly income. Although his total unsecured payments were only 15% of his net monthly income. These were not flagged as items of concern.

But the Affordability Report did flag some items of concern. Mr B had opened two new debt accounts within the last 3-months, and the outstanding debt on three of his accounts had increased in the last 3-months. And Mr B's credit card debt to limit ratio was 93% - this last point had been flagged as 'red'.

I've also seen the credit report which AvantCredit say they relied upon when making their lending decision. And I've noted that they didn't provide this as part of the evidence the investigator relied upon. A copy wasn't provided until after the investigator formed her view.

This credit report doesn't provide full details of all of Mr B's accounts, but only provides summary information. It shows a total outstanding balance of £7,587 on 10 active accounts, £1,968 which had been borrowed within the last six-months. And it shows total monthly payments of £365, but Mr B had only declared £55 'other' expenditure each month.

The overview section also says that 'overindebtedness indicators' are present, with total balances being 120% of what they were three-months ago. And the report shows that Mr B had been using short-term lenders (who normally charge high interest rates), with seven loans having been taken.

I feel strongly that this report indicates Mr B's debt was increasing and he'd relied on short-term high-interest borrowing. He's also underdeclared his expenditure and was likely to be in a position where his borrowing was unaffordable. Given these concerns, I think that further checks would've been proportionate. So I've considered what these checks would've shown.

Mr B had a monthly income of £1,432 with declared rent, council tax and utility bills of £577 a month. I've looked at the full credit report Mr B has supplied, which shows details of the debt he had in 2016. I've also looked at his bank statements for the three-months before the loan was approved. These show £652 payments to Mr B's debts each month, and a mobile

phone bill in the region of £80 a month. Which would leave Mr B with £123 disposable income each month to pay AvantCredit's loan of £190.47.

So, if AvantCredit had carried out further checks, they would've realised the loan was unaffordable, and they shouldn't have lent the money to Mr B.

### **Putting things right**

AvantCredit shouldn't have lent to Mr B so they should do the following:

- Refund Mr B the total amount of payments he made to them during the life of his loan, less the amount they originally lent him.
  - Pay Mr B simple interest on the refunded amount, calculated at 8% a year from the date of his payments to the date of the refund.
  - Remove any negative information recorded on Mr B's credit file, related to this loan.
- HM Revenue & Customs require AvantCredit to take off tax from the 8% interest. So they must also give Mr B a certificate showing how much tax they've taken off if he asks for one.

### **My final decision**

For the reasons explained above I uphold Mr B's complaint. AvantCredit of UK, LLC must follow my directions above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 21 July 2020.

Andrew Burford  
**Ombudsman**