

## **The complaint**

Mr D believes AvantCredit of UK, LLC trading as Avantcredit, acted irresponsibly by agreeing two loans he'd applied for.

## **What happened**

In September 2015 Mr D took out a £1,000 loan with Avantcredit, to be repaid over 12 months with repayments of £98.48 a month. This loan was repaid in December 2015 when Mr D took out a second loan with Avantcredit. The second loan was for £1,000, to be repaid over 36 months with repayments of £47.15 a month and was repaid in February 2018.

Mr D has complained that Avantcredit didn't act responsibly when approving the loan – he didn't think the checks Avantcredit did were thorough enough, and he didn't think they should've approved the loan. Avantcredit didn't agree, so Mr D brought his complaint to us for investigation.

Our investigator said that the checks Avantcredit carried out for each loan were reasonable and proportionate – they checked Mr D's income and expenditure and carried out a credit search each time. She said that Mr D had declared an income figure higher than his actual income for each application, and Avantcredit used his actual (lower) income when looking to see if each loan was affordable. And from the information available to Avantcredit, both loans were affordable at the time. So the investigator didn't think Avantcredit needed to do anything more.

Mr D didn't agree. He said he had a gambling problem at the time, and this should've been obvious from the bank statements he sent to Avantcredit. He's also said he had a number of different loans with other lenders, so Avantcredit should've known he was borrowing irresponsibly. Mr D has provided bank statements for the period 4 July to 31 December 2015 to show his financial situation when he took out the loans. And he's 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.

I've seen the documents Avantcredit checked at the time they approved Mr D's loans. For the first loan Mr D declared a monthly income of £1,875. But the bank statements he'd provided showed his income was only £1,352 a month. Mr D also declared that his monthly household bills and other expenses were £620.

The credit search showed that Mr D paid £439 a month for his credit commitments, that he hadn't missed any payments in the last 12-months, and that he didn't have any defaults. The credit search also showed that Mr D had used short-term pay day lenders in the past, and anything he still owed to these lenders was included in his credit commitments.

I've noted the bank statements Mr D provided to Avantcredit showed his monthly outgoings were £186. Added to the £439 credit commitments, this would make £625 a month. And Mr D declared total outgoings of £620 a month. So, this £620 may have included Mr D's credit commitments, or it may have included items such as food and transport instead.

The bank statements also show some gambling transactions. But the presence of these doesn't necessarily mean that Mr D had a gambling problem. And I don't think the number or value of these transactions would mean that Avantcredit should've automatically declined the loan because of this. Mr D has also said that there are transactions on his bank statements to an online financial services company. Mr D has said that these were also for gambling. But, as this company is also a popular payment portal for online purchases, Avantcredit wouldn't have known what these payments were actually for unless Mr D told them. And I haven't seen that he did.

Based on the verified income, and after paying his verified monthly expenses and credit commitments, Mr D had £727 disposable income each month. This was more than sufficient to pay Avantcredit's payment of £98.48 and still leave Mr D with ample disposable income for things such as food and transport.

But, even if the declared £620 was in addition to the £439 credit commitments, and so included things such as food and transport; Mr D would still have had £293 disposable income with which to pay Avantcredit's loan. And, as Mr D had said he intended to use this loan to repay some existing debts, doing so would've further reduced his monthly outgoings.

Given the above, and the value and term of this loan, I'm satisfied that the checks Avantcredit did were reasonable and proportionate at the time. So I wouldn't expect them to do anything more. I've also seen that Mr D made all of the payments to the first loan on time, and without any apparent problems.

For the second loan, Mr D again declared a monthly income of £1,875 and monthly outgoings of £620. Because this was only three months after the original loan, Avantcredit used the same bank statements to verify Mr D's income. And because of the short time that'd passed, I don't think it was unreasonable for them to have done this.

The credit search for the second loan showed Mr D's credit commitments payments were £688 a month – an increase of £249 a month (£99 of which would've been Avantcredit's loan). This shows me that Mr D was still borrowing money, but I don't think it's enough for me to say he was either reliant on borrowing or borrowing irresponsibly – his borrowing had increased in the period October to December, a time where it's more likely purchases would be put on credit cards, or funded by other borrowing, to be paid off at a later date.

With the increased credit commitments, Mr D would have disposable income of either £478 a month from which to pay food, transport etc.; or £44 after his food and transport had been taken into consideration. But what's important here is that this includes loan one, which would be repaid. And the payment for loan two is lower than loan one, so Mr D's disposable income would increase, not decrease, if loan two was approved.

Given the above, I'm also satisfied that Avantcredit did reasonable and proportionate checks for loan two, and I wouldn't expect them to do anything more.

Mr D has provided six months bank statements to show his full financial position at the time he applied for these loans. But Avantcredit didn't see these, and for the reasons explained above, I wouldn't have expected them to have asked for them. It was reasonable they relied on what they'd seen to make the lending decisions.

While the bank statements may show things that weren't on the credit search, I can't say Avantcredit did anything wrong by not taking into consideration things they weren't aware of at the time. So I won't be asking them to refund any payments, charges or interest.

### **My final decision**

For the reasons explained above I don't uphold Mr D's complaint about AvantCredit of UK, LLC trading as Avantcredit.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 5 January 2021.

Andrew Burford  
**Ombudsman**