

Complaint

Mr H has complained about loans AvantCredit of UK, LLC (trading as “Avant Credit”) provided to him.

He says he had a gambling addiction and had no way of paying his loan back.

Background

Avant Credit provided Mr H with a loan of £1,400.00 in April 2016. This loan was due to be repaid in 24 monthly instalments of around £85. Mr H fell into difficulty repaying this loan and it was sold to a third-party debt purchaser.

One of our adjudicators reviewed what Mr H and Avant Credit had told us. And he thought that Avant Credit hadn’t done anything wrong or treated Mr H unfairly. So he didn’t recommend that Mr H’s complaint be upheld. Mr H disagreed and asked for an ombudsman to look at his complaint.

My findings

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 H’s complaint.

Avant Credit’s decision to provide the loan to Mr H

Avant Credit needed to make sure that it didn’t lend irresponsibly. In practice, what this means is Avant Credit needed to carry out proportionate checks to be able to understand whether Mr H could afford to repay before providing this loan.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. 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 that it didn’t continue to lend to a customer irresponsibly.

Avant Credit provided Mr H with a loan for £1,400.00 in April 2016. This loan had an APR of 45.3% and was to be repaid in 24 instalments of around £85, which meant the total amount to be repaid was £2,050.23. Avant Credit says it agreed to Mr H’s application after he provided details of his monthly income and some information on his expenditure. It says it cross-checked this against information on a credit search it carried out and all of this

information showed Mr H could comfortably make the repayments he was committing to. On the other hand, Mr H has said he was in financial difficulty.

I've carefully thought about what Mr H and Avant Credit have said.

The first thing for me to say is that Avant Credit has provided a record of the credit search it performed. Avant Credit search did show that Mr H had had previous difficulties repaying credit (there were historic defaults) and some previous payday lending. But Mr H's commitments at the time were reasonably maintained. Crucially, there wasn't anything to suggest that the information Mr H provided was inaccurate or that he wouldn't be able to make the relatively modest repayments that he was committing to.

I accept that Mr H's actual circumstances don't appear to have been fully reflected either in the information he provided, or the information Avant Credit obtained. Equally I accept that if Avant Credit had gone into the depth of checks Mr H now says it should have – such as obtaining bank statements – it would have seen the full extent of Mr H's difficulties, his gambling and the likely impact this would have on his ability to make these loan payments.

But the key here is that Avant Credit was providing a loan with relatively low monthly payments – especially when compared to Mr H's income. It's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong. Given the circumstances here, and the lack of obvious inconsistencies, I don't think that reasonable and proportionate checks would have extended into the level of checks Mr H is suggesting.

As this is the case, I don't think that Avant Credit did anything wrong when deciding to lend to Mr H - it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable. So overall I don't think that Avant Credit treated Mr H unfairly or unreasonably when providing him with his loan.

Avant Credit's decision to sell the debt on to a third-party debt collector

I've also seen what Mr H has said about his account being defaulted and the balance being sold on to a third-party debt purchaser. It may help for me to start by saying that a lender is entitled to sell an account on whether or not it is in arrears. So I don't think selling on a debt in itself will mean that a lender did something wrong. That said, I have looked at whether Avant Credit acted fairly and reasonably when Mr H ran into difficulties making his payments. And having looked at everything, it does look as though Avant Credit provided some breathing space in order to allow Mr H to bring his account back up to date.

Unfortunately, it looks as though Mr H wasn't able to bring the account back on track and it eventually reached a stage where there was no reasonable prospect of this happening, or the contract being performed as envisioned at the outset. In these circumstances, I don't think that it was unreasonable for Avant Credit to have defaulted the account when it did or sell the balance to a third party.

I'd also add that Mr H should direct any concerns about the collection of any payments, after the sale of the debt, to the third-party debt purchaser in the event he considers that it is treating him, or that it has been treating him unfairly.

Overall and having carefully considered everything, I'm not upholding Mr H's complaint. I appreciate this will be very disappointing for Mr H. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mr H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 23 March 2021.

Jeshen Narayanan
Ombudsman