

The complaint

Miss B complains about the steps AvantCredit of UK, LLC has taken in redressing her for a loan it shouldn't have lent to her.

What happened

Miss B complained to Avantcredit about two high cost credit loans it sold to her. AvantCredit upheld her complaint about the second loan and calculated that she was due redress of around £320. When Miss B accepted the offer for redress, AvantCredit said because it had sold the loan, it contacted the debt purchaser to let it know about the outstanding balance reduction.

Miss B has now fully repaid the outstanding amounts to the debt purchaser and has said she has been unable to contact the debt purchaser for the refund she is due as it hasn't been responding to her emails.

The complaint was looked at by one of our adjudicators who thought that it was unfair for Miss B to have to chase the debt purchaser and she was being denied her due redress. AvantCredit didn't agree, it said it was following this service's approach by asking the debt purchaser to amend the balance and it was ultimately for Miss B to get her redress from the purchaser if she'd fully repaid the outstanding balance on the loan.

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.

AvantCredit accepts that it lent a loan to Miss B when it shouldn't have and so it needs to put her back in the position, she would have been had she not been lent this loan in the first place. If Miss B wasn't lent this loan, she wouldn't have paid the interest, fees and charges on the loan and she wouldn't have had to deal with the debt purchaser.

AvantCredit has done something wrong here and I think the burden is on it to make it right. AvantCredit chose to sell the loan to a third party, it wasn't required to do this, and it needs to take responsibility for that decision. As AvantCredit sold the loan, it no longer owns the loan and it can't adjust the balance of a loan it doesn't own.

Also, by the time AvantCredit upheld Miss B's complaint, she'd repaid the loan and so there isn't a debt to offset here. Avantcredit can't offset payment for a debt that doesn't exist and which it no longer owns.

I don't think it is enough for AvantCredit to say it has communicated the new loan balance to the debt purchaser and it now falls on Miss B to get her refund from the third party. This has meant Miss B has continued to be deprived of her money and remains out of pocket. AvantCredit needs to put things right.

Putting things right

- AvantCredit should pay the refund for the loan that shouldn't have been lent directly to Miss B.
- It needs to refund overpayments on the capital amount borrowed for the loan and pay interest of 8% simple a year on the overpayments from the date they were paid (if they were) to the date of settlement†;
- AvantCredit has said it has taken steps to remove negative entry about the loan from Miss B's credit file.
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† HM Revenue & Customs requires AvantCredit to take off tax from this interest. It must give Miss B a certificate showing how much tax it's taken off if she asks for one.

My final decision

For the reasons given above, I uphold Miss B's complaint and direct AvantCredit of UK, LLC to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 17 December 2021.

Oyetola Oduola
Ombudsman