

The complaint

Mr M complains that AvantCredit of UK, LLC ("AvantCredit") lent him a loan he couldn't afford.

What happened

The details of this complaint are well known to both parties, so I won't repeat them all again here.

AvantCredit lent Mr M £3000 in May 2015, this is not in dispute, so I'll focus on giving the reasons for my decision about this 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.

The investigator concluded AvantCredit did not make a fair lending decision. They concluded that Mr M was paying a significant amount in credit commitments each month and wouldn't have been able to sustainably repay the loan repayment from this loan. I agree with the investigator's findings for these reasons:

- AvantCredit says it carried out proportionate checks before agreeing to lend to Mr M. It says it asked him about his income and expenditure costs. In addition, it carried out a credit check. It says it also verified Mr M's income. It says used the information it gathered to assess the affordability of the loan for Mr M.
- The loan was due to be repaid over 48 monthly instalments of around £165 and AvantCredit recorded down that Mr M was using the loan for debt consolidation. When I look at AvantCredit calculations, I can see that, on the surface of it, it had worked out that Mr M would have enough disposable income to afford the loan repayments. But like the investigator, on balance I don't think AvantCredit made a fair lending decision with what it had in front of it.
- I say this because when I look at the credit search results AvantCredit gathered and would have had in front of it, I can see that it showed Mr M had existing credit commitments of £1189 a month. This represented around 66% of Mr M's total monthly income. I think this ought to have given AvantCredit concerns about his ability to repay this loan in a sustainable way. Especially as this loan was to be provided over a term of 4 years.
- AvantCredit has recently submitted to our service calculations that it has made in relation to debt consolidation. It has worked out how much it thinks Mr M would have needed to repay from his credit commitments at that time in addition to the repayment amount from this loan, if he had used all of the £3000 capital to repay debt. It calculated that he would repay around £749 a month including the repayment for this loan after consolidation. But I have not seen anything from the time it granted

the loan, about this debt consolidation and whether it had discussed this with Mr M. Or whether Mr M was proposing to consolidate in the way AvantCredit now says he could have done. But even if he did, the debt consolidation worked out by AvantCredit would still leave Mr M with monthly repayments of around £749 a month. This would represent around 42% of Mr M's monthly income and I would consider this to be a significant amount for him to repay over 4 years. I think on balance, Mr M would have struggled to repay this amount in a sustainable way. And, so in these circumstances with what it had in front of it and from the information it gathered, AvantCredit should reasonably have concluded that it was not fair to lend to Mr M.

- So, it follows that I uphold Mr M's complaint. AvantCredit now needs to put things right.

Putting things right

While I think AvantCredit shouldn't have lent to Mr M, I think it will be fair for him to repay the capital of £3000 which he borrowed. So, to put things right, AvantCredit should:

- add up all the payments made by Mr M, if it exceeds the capital amount of £1500, then the overpayments plus 8% simple interest* should be paid to Mr M, remove any adverse information recorded on Mr M' credit file as a result of this loan.

*HM Revenue & Customs requires AvantCredit to deduct tax from the interest payment referred to above. AvantCredit must give Mr M a certificate showing how much tax it's deducted if he asks it for one.

My final decision

My final decision is that Mr M's complaint should be upheld and I 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 Mr M to accept or reject my decision before 2 May 2022.

Mark Richardson
Ombudsman