

The complaint

Mr U complains that AvantCredit of UK, LLC (“AvantCredit”) lent to him in an irresponsible Manner.

What happened

Mr U was given 3 loans by AvantCredit. The details of these are as follows:

Number	Date taken	Amount	Term	Repayment
1	14/01/2017	£2000	24 months	£112.89
2	11/08/2018	£2500	24 months	£142.88
3	06/05/2019	£9500	36 months	£420.35

I issued a provisional decision on this complaint in February 2022. Both parties have received a copy of that provisional decision, but for completeness I include an extract from the decision below. I said;

“Loans 1 and 2

I’ve seen how AvantCredit asked about Mr U’s financial circumstances when it agreed loans 1 and 2. I can see from looking through the documentation it has supplied that it asked him basic questions about his income and some expenditure. It then says it verified Mr U’s income and carried out a credit check on each occasion. But I’m not satisfied that these checks went far enough on either occasion.

I don’t think AvantCredit has been able to show that its checks were proportionate when it agreed to loan 1 or 2 when I consider the size of each loan, the term of 2 years and the amount payable on each occasion. In addition, the credit search results provided for both loans showed enough I think that it would have wanted to find out more and look to carry out a full review of Mr U’s finances. In particular, Mr U had several payment arrangements for loans showing in the credit search results for loan 1. And AvantCredit ought to also have been concerned about the increase in overall unsecured debt showing in the search results provided for loan 2.

For the above reasons, I consider AvantCredit’s checks should have included a full review of Mr U’s financial circumstances, including further verification of his expenditure so it could ensure that the loan repayments were affordable and sustainable when it considered Mr U’s applications for loans 1 and 2.

I need to think about what AvantCredit would have seen if it had carried out proportionate checks. An investigator asked Mr U through his representatives, to provide his bank statements from around the time he applied for the loans. I’m not suggesting here that this is the check that AvantCredit should have done on each occasion. But I think looking at his bank statements would give me the best picture of what the lender should have seen.

Mr U has not been able to provide our service with bank statements from before and around when he took out loans 1 and 2 though. So, I haven't been able to see what AvantCredit would have most likely seen if it had carried out further checks. So, because of this, I am unable to safely conclude that Mr U was given loans that were unaffordable for him.

Loans 3

I haven't looked into whether AvantCredit carried out proportionate checks or not for loan 3. This is because I am currently looking to uphold Mr U's complaint here anyway. I will explain why.

I looked at the overall history and pattern of lending of these loans. By the time of Loan 3, AvantCredit ought reasonably to have realised it was increasing Mr U's indebtedness in a way that was unsustainable or otherwise harmful and so it shouldn't have provided this loan.

I say this because:

- *By the time Mr U was asking for loan 3 he had been borrowing from AvantCredit for around 24 months with no significant breaks in between each loan;*
- *Mr U had repaid loan 1 and then around 4 months later applied for loan 2. When he repaid loan 2 he then came back a month later and asked for loan 3;*
- *Mr U wasn't making any inroads to the amounts he owed AvantCredit. The amounts he was asking for had increased from loan 1 to loan 3;*
- *Mr U had paid large amounts of interest to, in effect, service a debt to AvantCredit over an extended period;*

I think, the presence of these high cost loans on Mr U's credit file was likely to have had implications for Mr U's ability to access mainstream credit. I think on balance AvantCredit ought reasonably to have realised at this stage that Mr U was in a cycle of debt and had become reliant on it for providing credit and so was harmful for him.

So, I am currently upholding this complaint about loan 3 and direct AvantCredit to put things right. For loans 1 and 2 I haven't seen enough to conclude that AvantCredit did anything wrong."

I asked both parties to let me have any comments, or additional evidence, in response to my provisional decision. Mr U responded through his representatives and said he accepted the decision. AvantCredit did not respond.

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.

Mr U has not made any further points and AvantCredit has not responded. So, as neither party has anything further to add, I don't see any reason to depart from my findings within my provisional decision. With that being the case, AvantCredit now needs to put things right.

Putting things right

I think it is fair and reasonable for Mr U to repay the principal amount that he borrowed for loan 3, because he has had the benefit of that lending. But he has been indebted with interest and charges on lending that shouldn't have been provided to him.

AvantCredit should:

- Remove all interest, fees and charges on loan 3 and treat all the payments Mr U has made as payments towards the capital.
- If reworking Mr U's loan account results in him having effectively made payments above the original capital borrowed, then AvantCredit should refund these overpayments with 8% simple interest calculated on the overpayments, from the date the overpayments would have arisen, to the date the complaint is settled*.
- Remove all entries relating to loan 3 on Mr U's credit file. At this point, any information about this loan was likely to be adverse.

*HM Revenue & Customs requires AvantCredit to deduct tax from this interest. AvantCredit should give Mr U a certificate showing how much tax it's deducted, if he asks for one.

My final decision

My final decision is that I uphold Mr U's complaint and direct AvantCredit of UK LLC to put things right as described above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr U to accept or reject my decision before 21 March 2022.

Mark Richardson
Ombudsman