

Complaint

Mr B has complained about loans AvantCredit of UK, LLC (“Avant Credit”) provided to him. He says the loans were unaffordable.

Background

Avant Credit provided Mr B with an initial loan for £2,000.00 in August 2014. This loan was due to be repaid in 24 monthly instalments of just over £140. Mr B was then provided with a second loan for £4,000.00 in May 2016. This loan was due to be repaid in 24 monthly instalments of just over £240.

One of our investigators reviewed Mr B’s complaint and he thought Avant Credit shouldn’t have provided Mr B with either of these loans. So he thought that Mr B’s complaint should be upheld.

Avant Credit disagreed so the case was passed to an ombudsman for a final decision.

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 B’s complaint.

Having carefully considered everything I’ve decided to uphold Mr B’s complaint. I’ll explain why in a little more detail.

Avant Credit needed to make sure 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 B could afford to repay any credit it provided.

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.

The information Avant Credit has provided suggested that Avant Credit carried out a credit check before each of these loans were provided. The results of which showed that Mr B was already significantly indebted. Furthermore, there’s some suggestion the purpose of these loans might have been debt consolidation there is no indication of which debts Mr B was

going to consolidate. And it's unclear to me how or what was going to be consolidated and more crucially how this was going to improve Mr B's financial position.

So I'm persuaded by what Mr B has said about already being in a difficult financial position at the time. And while it's possible his credit file reflected his choices rather than because he was struggling, I'd add that my experience of these types of cases suggest this is unlikely, in the absence of any reasonable or plausible arguments from Avant Credit, I've been persuaded to accept Mr B's version of events.

As this is the case, I do think that Mr B's existing financial position meant that he was unlikely to be able to afford the payments to these loans, without undue difficulty or borrowing further. And I'm satisfied that reasonable and proportionate checks would more likely than not have shown Avant Credit that it shouldn't have provided these loans to Mr B. As Avant Credit provided Mr B with these loans, notwithstanding this, I'm satisfied it failed to act fairly and reasonably towards him.

Mr B ended up paying interest, fees and charges on loans he shouldn't have been provided with. So I'm satisfied that Mr B lost out because of what Avant Credit did wrong and that it should put things right.

Fair compensation – what Avant Credit needs to do to put things right for Mr B

Having thought about everything, Avant Credit should put things right for Mr B by:

- refunding all interest, fees and charges Mr B paid on loan 1;
- removing all interest, fees and charges applied to loan 2 from the outset. The payments Mr B made, whether to Avant Credit or any third-party debt purchaser, should be deducted from the new starting balance – the £4,000.00 originally lent. If Mr B has already repaid more than £4,000.00 then Avant Credit should treat any extra as overpayments. And any overpayments should be refunded to Mr B;
- if an outstanding balance remains on loan 2 after all adjustments have been made, Avant Credit can use the compensation due from loan 1 to reduce and/or clear any amount owing on loan 2;
- adding interest at 8% per year simple on any refunded payments from the date they were made by Mr B to the date of settlement†;
- removing all adverse information it recorded on Mr B's credit file as a result of these loans.

† HM Revenue & Customs requires Avant Credit to take off tax from this interest. Avant Credit must give Mr B a certificate showing how much tax it has taken off if he asks for one.

My final decision

For the reasons I've explained, I'm upholding Mr B's complaint. AvantCredit of UK, LLC should put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 8 June 2022.

Jeshen Narayanan
Ombudsman