

The complaint

Mrs K complains that AvantCredit of UK, LLC ("AvantCredit") lent her a loan she 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 Mrs K £3800 in December 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. I agree with the investigator's conclusion for these reasons:

- AvantCredit says it carried out proportionate checks before agreeing to lend to Mrs K. It says it asked her about her income and expenditure costs. In addition, it carried out a credit check and verified Mrs K's income using bank statements. It used the information it gathered to assess the affordability of the loan for Mrs K.
- The loan was due to be repaid over 24 monthly instalments of around £231. When I look at AvantCredit calculations, I can see that, on the surface of it, it had worked out that Mrs K 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 through the information AvantCredit gathered, I can see that Mrs K was having problems managing her finances leading up to the date that she applied for her loan with it.
- AvantCredit would have been aware that Mrs K had other credit commitments including credit cards and another loan as well as a bank overdraft. AvantCredit has told our service that Mrs K would have needed to repay around £810 a month after including the repayment of this loan. I can see from its system notes, that it queried with Mrs K her monthly income after the amount she disclosed was different from the verified amount its online tool had recorded. So, it obtained a months' worth of bank statements and used that to verify how much monthly income she was receiving. It used a figure of £2576. I think based on the figure it verified using bank statements, the credit commitments it calculated represents a significant proportion of Mrs K's income.

- In addition, AvantCredit would also have seen that Mrs K was having problems with her finances within the information it gathered. It had obtained bank statements from Mrs K for the month previous to her loan application. It would have seen from this information that she was regularly going over her overdraft limit and was using emergency borrowing. On occasions she was over her emergency borrowing limit too. Mrs K also had a payment to a communications company returned twice due to lack of available funds and she was also repaying two payday loans only days before she asked for this loan. I think AvantCredit ought to have seen it was unlikely that Mrs K would be able to sustainably repay the additional repayment on this loan over the 24 month term when it could see that she was struggling to maintain her existing credit commitments. I think when I consider the significant proportion Mrs K was looking to repay in credit along with how she was managing her account and finances at the time, it is unlikely she would be able to repay this loan 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 Mrs K.
- So, it follows that I uphold Mrs K's complaint. AvantCredit now needs to put things right.

Putting things right

While I think AvantCredit shouldn't have lent to Mrs K, I think it will be fair for her to repay the capital of £3800 which she borrowed. So, to put things right, AvantCredit should:

- add up all the payments made by Mrs K, if it exceeds the capital amount of £3800, then the overpayments plus 8% simple interest* should be paid to Mrs K, remove any adverse information recorded on Mrs K's 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 Mrs K a certificate showing how much tax it's deducted if she asks it for one.

My final decision

My final decision is that Mrs K'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 Mrs K to accept or reject my decision before 6 May 2022.

Mark Richardson
Ombudsman