

Complaint

Miss G has complained about a loan AvantCredit of UK, LLC (“Avant Credit”) provided to her. She says the loan was provided at a time when she was already struggling and couldn’t afford the payments.

Background

Avant Credit provided Miss G with a loan for £1,000.00 in April 2015. This loan was due to be repaid in 12 monthly instalments of just under £115. One of our adjudicators reviewed Miss G’s complaint and thought Avant Credit shouldn’t have provided Miss G with this loan. Avant Credit didn’t respond 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 Miss G’s complaint. Having carefully considered everything I’ve decided to uphold Miss G’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 Miss G 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.

Despite being provided with an extended period of time to do so, Avant Credit hasn’t explained why it disagrees with our adjudicator’s assessment. I find Avant Credit’s lack of a response and its apparent disregard of its DISP 1 obligations to be extremely disappointing. Nonetheless, I’ve looked at the information Avant Credit obtained when it provided this loan in an attempt to determine whether it made a fair lending decision.

The information Avant Credit has provided suggested that Avant Credit carried out a credit check. The results of which clearly demonstrated that Miss G had a history of high-cost and other payday lending. And she had more than one account of this type with an overdue extended balance. So I’m persuaded by what Miss G has said about already being in a difficult financial position at the time. And while it’s possible her credit file reflected her choices rather than because she 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 Miss G's version of events.

As this is the case, I do think that Miss G's existing financial position meant that she was unlikely to be able to afford the payments to this loan, without undue difficulty or borrowing further. And as reasonable and proportionate checks should have extended into finding out about Miss G's income and expenditure, I'm satisfied that they would more like than not have shown Avant Credit that it shouldn't have provided this loan to Miss G. As Avant Credit provided Miss G with this loan, notwithstanding this, I'm satisfied it failed to act fairly and reasonably towards her.

Miss G paid interest, fees and charges on a loan she shouldn't have been provided with. So I'm satisfied that Miss G 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 Miss G

Having thought about everything, Avant Credit should put things right for Miss G by:

- Refunding all interest, fees and charges Miss G paid on this loan;
- adding interest at 8% per year simple on the refunded payments from the date they were made by Miss G to the date of settlement†
- removing all adverse information it recorded on Miss G's credit file as a result of this loan.

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

My final decision

For the reasons I've explained, I'm upholding Miss G'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 Miss G to accept or reject my decision before 22 April 2022.

Jeshen Narayanan
Ombudsman