

Complaint

Ms S 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 Ms S with a loan for £1,000.00 in September 2015. This loan was due to be repaid in 24 monthly instalments of around £62.

One of our adjudicators reviewed Ms S’ complaint and she thought Avant Credit shouldn’t have provided Ms S with this loan. So she thought that Ms S’ complaint should be upheld. 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 Ms S’ complaint. Having carefully considered everything I’ve decided to uphold Ms 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 Ms S 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.

Avant Credit may argue that the relatively low monthly payments meant that a relatively light touch assessment would have been proportionate here. But the information Avant Credit has itself provided suggests that Ms S didn’t have the disposable income required to repay this loan.

Furthermore, the credit check information Avant Credit has provided suggests that even though this loan may have been taken for consolidation, the amount would have made little inroad into what Ms S already owed. The check also clearly demonstrated that Ms S had a history of high-cost and other payday lending.

So I'm persuaded by what Ms S 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, Avant Credit's affordability assessment suggesting Ms S' disposable income wasn't enough to make the loan payments persuade me this wasn't the case.

As this is the case, I do think that Ms 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 I'm satisfied that reasonable and proportionate checks would more like than not have shown Avant Credit that it shouldn't have provided this loan to Ms S. As Avant Credit provided Ms S with this loan, notwithstanding this, I'm satisfied it failed to act fairly and reasonably towards her.

Ms S has ended up paying interest, fees and charges on a loan she shouldn't have been provided with. So I'm satisfied that Ms S 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 Ms S

Having thought about everything, Avant Credit should put things right for Ms S by:

- Refunding all interest, fees and charges Ms S paid on this loan;
- adding interest at 8% per year simple on the refunded payments from the date they were made by Ms S to the date of settlement†
- removing all adverse information it recorded on Ms 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 Ms S 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 Ms 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 Ms S to accept or reject my decision before 6 May 2022.

Jeshen Narayanan
Ombudsman