

## **Complaint**

Mr C has complained about a loan AvantCredit of UK, LLC ("Avant Credit") provided to him.

## **Background**

Avant Credit provided Mr C with a loan for £1,800.00 in September 2015. This loan was due to be repaid in 24 monthly instalments of just over £107. One of our adjudicators reviewed Mr C's complaint and she thought Avant Credit shouldn't have provided Mr C with his loan. 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 C's complaint.

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 C 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 light touch assessment would have been proportionate here. But I'm mindful that Mr C had a very low income – an annual income less than the personal allowance before income tax is due - and the credit search information Avant Credit has itself provided suggests that Mr C had existing defaults on his credit file.

I think further checks would more likely than not have extended into finding out more about Mr C's expenditure. And if Avant Credit had done this here, I'm persuaded that it would have seen that Mr C was already in a difficult financial position at the time and also found out why this was the case. I'm also satisfied that reasonable and proportionate checks would more likely than not have shown Avant Credit that Mr C's existing precarious financial position was because he was struggling. So I'm persuaded by what Mr C has said about already being in a difficult financial position at the time.

And as reasonable and proportionate checks should have extended into finding out about Mr C'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. As Avant Credit provided Mr C with this loan, notwithstanding this, I'm satisfied it failed to act fairly and reasonably towards him.

Mr C ended up paying interest, fees and charges on a loan he shouldn't have been provided with in the first place. So I'm satisfied that Mr C 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 C**

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

- removing all interest, fees and charges applied to the loan from the outset. The payments Mr C made, whether to Avant Credit or any third-party debt purchaser, should be deducted from the new starting balance – the £1,800.00 originally lent. If Mr C has already repaid more than £1,800.00 then Avant Credit should treat any extra as overpayments. And any overpayments should be refunded to Mr C;
- adding interest at 8% per year simple on any overpayments, if any, from the date they were made by Mr C to the date of settlement†
- if no outstanding balance remains after all adjustments have been made, all adverse information Avant Credit recorded about this loan should be removed from Mr C's credit file.

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

I'd also remind Avant Credit of its obligation to exercise forbearance and due consideration if it intends to collect on an outstanding balance, should it buy the debt back from any third-party debt purchaser and one remains, after all adjustments have been made to the account and it's the case that Mr C is experiencing financial difficulty.

### **My final decision**

For the reasons I've explained, I'm upholding Mr C'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 C to accept or reject my decision before 17 May 2022.

Jeshen Narayanan  
**Ombudsman**