

Complaint

Mrs G has complained about a loan AvantCredit of UK, LLC ("Avant Credit") provided to her. She says the loan was unaffordable.

Background

Avant Credit provided Mrs G with a loan for £5,000.00 in April 2016. This loan was due to be repaid in 36 monthly instalments of just over £240.

One of our adjudicators reviewed Mrs G's complaint and he thought Avant Credit shouldn't have provided Mrs G with this loan. So he thought that Mrs G'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 Mrs G's complaint. Having carefully considered everything I've decided to uphold Mrs 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 Mrs 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.

The credit check Avant Credit carried out clearly demonstrated that Mrs G was significantly indebted and that she was over her credit limit on more than one of her account. Furthermore, the payments to this loan meant that almost half of Mrs G's income was going to debt repayments.

So I'm persuaded by what Mrs G has said about already being in a difficult financial position at the time. And while it's possible her indebtedness was because of choice 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 Mrs G's version of events.

As this is the case, I do think that Mrs 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 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 Mrs G.

As Avant Credit provided Mrs G with this loan, notwithstanding this, I'm satisfied it failed to act fairly and reasonably towards her.

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

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

- refunding all interest, fees and charges Mrs G paid as a result of her loan;
- adding interest at 8% per year simple on any refunded amounts from the date they were paid to the date of settlement†
- removing any adverse information recorded on Mrs 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 Mrs 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 Mrs 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 Mrs G to accept or reject my decision before 23 May 2022.

Jeshen Narayanan
Ombudsman