

## The complaint

Ms P complains that AvantCredit of UK, LLC, trading as AvantCredit, lent to her irresponsibly and without carrying out proper affordability checks. She would like all the fees and charges associated with the loan refunded.

## What happened

In October 2014 AvantCredit approved a loan of £1,000 for Ms P, which was scheduled to be repaid at approximately £95 per month over a term of 12 months. The purpose of the loan is not clear, although latterly AvantCredit has suggested it may have been intended to consolidate other lending. When assessing the application, AvantCredit asked Ms P about her financial circumstances; looked at a recent bank statement; and carried out a credit check before approving the lending.

It appears the loan was repaid successfully.

The adjudicator looked at the evidence and thought AvantCredit shouldn't have approved the lending for Ms P. AvantCredit disagreed and asked an ombudsman to look at the complaint.

## 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.

Having done so, I'm upholding it, and I'll explain why.

AvantCredit is aware of its obligations under the rules and regulations in place at the time of this lending decision, including the Consumer Credit Sourcebook ("CONC"), so I won't repeat them here. But, briefly, it was required to carry out sufficient checks to ensure that Ms P would be able to repay the borrowing applied for in a sustainable way. As set out in CONC 5.3.1G(2) that means that she could manage the repayments,

*"...without...incurring financial difficulties or experiencing significant adverse consequences"*

Essentially, she needed to be able to meet her financial commitments and not have to borrow elsewhere to repay AvantCredit for the loan to be considered affordable and sustainable.

There are two questions I need to consider when deciding this case, which I will deal with separately below.

*Did AvantCredit carry out proportionate checks before granting this loan?*

In short, yes I am satisfied it did. It reviewed a recent bank statement; carried out a credit check, and appears to have asked her some basic information about her outgoings. Given

the size and term of this loan, I think those checks were proportionate.

*Was AvantCredit right to conclude that the lending was affordable and sustainable for Ms P?*

In short, the available evidence does not support that conclusion. I'll summarise the key issues.

- The bank statement showed that Ms P was frequently over her agreed overdraft limit, which itself was larger than her monthly income. So there was no evidence that her current account was *ever* in credit.
- The statement also showed recent borrowing from, and large repayments to, about six high cost short term lenders.
- The credit check showed at least one defaulted account; an unsecured lending balance of nearly 50% of her annual income; and total monthly repayments exceeding Ms P's monthly income.

Following the adjudicator's view outlining all this evidence, AvantCredit sent a lengthy and detailed response where it first introduced the idea of this loan being for consolidation. In fact, it provided quite a lot of fresh evidence in defence of its position, but without context or explanation. I asked some questions to enable the source of this evidence and its relevance to the key issues to be understood, but those questions have gone unanswered. Therefore it is difficult for me to place any weight on the calculations and assertions made.

As a result of all the clear signs of financial difficulties set out at the start of this section, I cannot see how in 2014 AvantCredit concluded that this loan would be affordable and sustainable for Ms P. So it follows that I uphold this complaint.

### **Putting things right**

To put things right for Ms P, AvantCredit must:

- A) refund all interest, fees and charges Ms P paid towards the loan;
- B) add 8% simple interest\* calculated on the refund, from the date the payments were made, to the date the complaint is settled; and
- C) remove any adverse information recorded on Ms P's credit file in relation to this loan.

\*HM Revenue & Customs requires AvantCredit to deduct tax from this interest. It should give Ms P a certificate showing how much tax it's deducted, if she asks for one.

### **My final decision**

For the reasons I've explained, I uphold this complaint and 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 Ms P to accept or reject my decision before 11 July 2022.

Siobhan McBride

**Ombudsman**