

Complaint

Ms M has complained about a loan AvantCredit of UK, LLC (“Avant Credit”) provided to her. She says the loan was unaffordable.

Background

Avant Credit provided Ms M with a loan for £2,500.00 in July 2016. This loan was due to be repaid in 36 monthly instalments of £112.32.

One of our adjudicators reviewed Ms M’s complaint and he thought Avant Credit hadn’t done anything wrong or treated Ms M unfairly. So he didn’t think that Ms M’s complaint should be upheld. Ms M disagreed so the case was passed to an ombudsman.

My provisional decision of 3 May 2022

I issued a provisional decision – on 3 May 2022 - setting out why I intended to uphold Ms M’s complaint. I won’t copy that decision in full, but I will instead provide a summary of my findings.

I started by saying that we’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And that I had used this approach to help me decide Ms M’s complaint.

I went on to explain that Avant Credit needed to make sure it didn’t lend irresponsibly. In practice, what this meant was that Avant Credit needed to carry out proportionate checks to be able to understand whether Ms M 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.

I explained that Avant Credit may have argued that the relatively low monthly payments meant a light touch assessment was proportionate here. But I was mindful this loan had a three-year term and the credit check carried out showed that Ms M was already significantly indebted. Indeed, I could see that she was close to her credit limit on a number of accounts and even over her limit on others.

So I was persuaded by what Ms M said about already being in a difficult financial position at the time. And while it was possible her existing indebtedness reflected her choices rather than any financial difficulty, I added that my experience of these types of cases as well as Ms M eventually entering into a trust deed suggested this was unlikely, I was satisfied that

further checks would more like than not have shown that Ms M wouldn't have been able to repay this loan without experiencing undue difficulty or borrowing further.

All of this left me 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 M. And as Avant Credit provided Ms M with this loan, notwithstanding this, I was minded to conclude that it failed to act fairly and reasonably towards her. I also thought that Ms M ended up paying interest, fees and charges on a loan she shouldn't have been provided with. So it was my intention to find that Ms M lost out because of what Avant Credit did wrong and that it needed to put things right.

Responses to my provisional decision

Avant Credit confirmed receiving my provisional decision. It said that it agreed with it and confirmed that it had nothing further to provide ahead of my final decision.

Ms M didn't provide anything further for me to think about.

My findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

In my provisional decision, I set out in some detail why I intended to uphold Ms M's complaint. And as neither party has provided any further evidence or arguments for me to consider, I've not been persuaded to alter my conclusions. So I'm still upholding Ms M's complaint. And I remain satisfied that Avant Credit needs to put things right.

Fair compensation – what Avant Credit needs to do to put things right for Ms M

Having thought about everything, I think that Avant Credit should put things right for Ms M by:

- refunding all interest, fees and charges Ms M paid on her loan;
- adding interest at 8% per year simple on any refunded payments from the date they were made by Ms M to the date of settlement†
- removing all adverse information it recorded about this loan from Ms M's credit file.

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

I understand that Ms M entered into a Trust Deed after taking out this loan. Ms M will need to liaise with her insolvency practitioner, who has confirmed their interest in this complaint, to ensure that she complies with any obligations arising out of her Trust Deed.

My final decision

For the reasons I've explained, I'm upholding Ms M's complaint. AvantCredit of UK, LLC to 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 M to accept or

reject my decision before 16 June 2022.

Jeshen Narayanan
Ombudsman