

The complaint

Mr D complains that AvantCredit of UK, LLC (“AvantCredit”) lent to him in an irresponsible manner.

What happened

I issued a provisional decision on this complaint in April 2022. In that decision I explained why I didn’t think the complaint should be upheld. Both parties have received a copy of the provisional decision but, for completeness and so those findings form part of this decision, I include some extracts from it below. In my decision I said;

Mr D was given a loan by AvantCredit in September 2016. He borrowed £2,700 and agreed to repay the loan in 36 monthly instalments. Mr D repaid the loan, earlier than planned, in January 2018.

AvantCredit gathered some information from Mr D before it agreed the loan. It asked him for details of his income, and his normal expenditure. It checked his credit file to assess how much he was repaying to other creditors and how he had managed credit in the past. And it asked Mr D for a copy of his bank statement so it could verify some of the information he’d provided.

Mr D was entering into a significant commitment with AvantCredit. He would need to make monthly repayments for a period of three years. So I think it was right that AvantCredit wanted to gather, and independently check, some detailed information about Mr D’s financial circumstances before it agreed to lend to him. I think that the checks I’ve described above were sufficient to achieve that aim – I think that AvantCredit’s checks were proportionate.

But simply performing proportionate checks isn’t always enough. A lender also needs to react appropriately to the information shown by those checks. Those results might sometimes lead a lender to undertake further enquiries into a consumer’s financial situation. Or, in some cases, the results might lead a lender to decline a loan application outright. So I’ve looked at the results of AvantCredit’s checks to see whether it made a fair lending decision.

The credit check showed that Mr D had made extensive use of credit in the past. In the year before the loan he had regularly taken, and repaid, short term loans. It seems reasonable to conclude from his lending history that Mr D was using new credit to repay existing loans. That is not a sustainable situation and should have been of concern to AvantCredit.

And Mr D’s current outstanding credit might have caused some concerns to AvantCredit. He held a credit card that had remained at, or slightly above, its agreed limit for at least six months. He also had two outstanding short-term loans. And Mr D was regularly using an overdraft on his main bank account.

But even though Mr D appeared to be using other credit to repay his earlier borrowing, his credit file didn't show any evidence of missed payments. And the bank statement that Mr D had provided to the lender also didn't show any evidence of returned payments or other concerning information such as gambling transactions.

So I don't think it would have been unreasonable for AvantCredit to conclude that Mr D had become trapped in a lending cycle – needing to take further short-term loans to repay loans he'd taken in the past. It is difficult to break out of that cycle without the use of other finance to restructure the nature of the debts – turning short term borrowing into a longer and more sustainable credit facility.

And that was what Mr D told AvantCredit that he wanted to use its loan to do – he said that he wanted to consolidate his other debts. By doing that it would be reasonable for AvantCredit to assume that the short-term lending cycle might be broken, and that Mr D would instead be able to repay its loan sustainably from his normal income over a longer period of time.

The amount that Mr D asked to borrow from AvantCredit wouldn't have cleared all of his debt. But it would have been sufficient to clear his largest outstanding loan, and his credit card account. So he would only have been left with a small monthly payment of £25 on what appears to be a short-term instalment loan, and a relatively modest overdraft on his bank account.

Given what Mr D had said about his income and expenditure, and supported by what AvantCredit could see on his bank statement, I think it would have been reasonable for the lender to conclude that taking the new loan, and using it to repay some of his other debt, would actually reduce Mr D's monthly outgoings and leave him in a far more stable financial position. So I currently think it was reasonable for AvantCredit to conclude Mr D could afford his repayments on this loan in a sustainable manner. I don't currently think it was irresponsible for AvantCredit to give this loan to Mr D.

I invited both parties to provide us with any further comments or evidence in response to my provisional decision. AvantCredit has said that it agrees with my provisional findings. Mr D hasn't provided any additional comments, but he has provided copies of his bank statements covering the period of June to August 2016.

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.

As I said earlier, Mr D hasn't explained why he doesn't agree with my provisional findings. In my provisional decision I noted that AvantCredit had reviewed a copy of his bank statement before it agreed the loan. And although that only covered a subset of the longer period shown on the statements he has recently sent to us, I think the conclusions AvantCredit reached remain applicable. I don't think AvantCredit needed to ask Mr D for additional bank statements, but even if it had, I don't think it would have seen any information that gave rise to additional concerns.

So I'm sorry to tell Mr D that the conclusions I reached in my provisional decision remain unchanged. Given what Mr D had said about his income and expenditure, and supported by what AvantCredit could see on his bank statement, I think it would have been reasonable for the lender to conclude that taking the new loan, and using it to repay some of his other debt, would actually reduce Mr D's monthly outgoings and leave him in a far more stable financial position. So I think it was reasonable for AvantCredit to conclude Mr D could afford his

repayments on this loan in a sustainable manner. I don't think it was irresponsible for AvantCredit to give this loan to Mr D.

My final decision

For the reasons given above, and in my provisional decision, I don't uphold the complaint or make any award against AvantCredit of UK, LLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 27 June 2022.

Paul Reilly
Ombudsman