

The complaint

Mr L complains that AvantCredit of UK, LLC ("AvantCredit") lent to him in an irresponsible manner.

What happened

Mr L was given 2 loans by AvantCredit. He borrowed £1500 in March 2016 and agreed to repay this over 36 months. He repaid that loan in May 2018. Shortly after he did this, he approached AvantCredit and asked for a second loan. This was for £3900 and was due to be repaid again over 36 months. When Mr L made his complaint to AvantCredit, he had repaid the second loan. Mr L then received correspondence from AvantCredit to say it had passed on the loan to a third party.

I issued a provisional decision on this complaint in June 2022. Both parties have received a copy of that provisional decision, but for completeness I include an extract from the decision below. I said;

"AvantCredit gathered some information from Mr L before it agreed to the first loan. It asked Mr L about his income and some basic information about his expenditure. It says it verified his income using an online tool. It carried out a credit check. It says those checks suggested Mr L had enough disposable income each month to afford the loan repayments.

Mr L was entering into a significant commitment with AvantCredit. He was agreeing to make monthly repayments for a period of 2 years. So, I think it is right that AvantCredit wanted to gather, and independently check, some detailed information about Mr L's financial circumstances before it agreed to lend to him. I think that the checks it did were sufficient to achieve that aim. I think AvantCredit's checks were proportionate.

But simply performing proportionate checks isn't always enough. A lender also needs to react appropriately to the information those checks show. 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 what the AvantCredit gathered to see whether it needed to ask for more or whether it made a fair lending decision.

AvantCredit's credit check showed that Mr L was making use of other credit at the time he applied for loan 1. He had a mail order account, 2 loans, a mortgage and 2 credit cards. I can see that Mr L had 5 defaults also with large outstanding balances to repay. But I acknowledge AvantCredit's comments about these accounts. I can see they were all from a few years before the loan application and it looks like Mr L had not made any repayments to them for quite a while.

Mr L's more recent open accounts that I have mentioned all appeared to be well maintained with no issues reported. It looked like the credit Mr L had taken out was affordable for him. His verified income and expenditure that he told AvantCredit he had, meant that along with the credit he had already committed to, that he could afford the repayment for loan 1.

So, at this stage I currently don't think AvantCredit did anything wrong when it agreed to give him loan 1, based on what it had gathered and what it had in front of it.

Mr L repaid loan 1. He then shortly after this came back and asked AvantCredit for a second loan in May 2018.

As before, AvantCredit asked Mr L for information about his income and expenditure. It largely carried out the same checks as it did for the first loan including a credit check. The checks again suggested that Mr L had enough disposable income each month to afford the second loan repayments. I think on balance, its checks were also proportionate. But again, I think it would need to react to what these checks showed, and I don't think it did for loan 2. I think it should have not agreed to lend and I will explain why.

The credit check that AvantCredit carried out showed that Mr L had taken out new credit since it had last carried out a check on his finances for the application for loan 1. The additional active accounts had been taken out by Mr L within weeks of him applying for this loan. I can see that he had taken out 2 loans in April 2018 along with another in January 2018. He also had an additional mail order account and another credit card.

Mr L's outstanding debt and his monthly credit commitments had increased significantly and in a short space of time. Seeing all of this on Mr L's credit report, demonstrates to me, on balance, that Mr L had become reliant on credit and was taking out loans to repay existing debt. This loan would do nothing to alleviate that or improve the situation he found himself in. By agreeing to loan 2, all that AvantCredit were doing was adding to Mr L's growing debt burden. For all the reasons I have just mentioned, I don't think the loan repayments for loan 2 were sustainably affordable for Mr L and AvantCredit shouldn't have agreed to it.

In conclusion, I think AvantCredit made proportionate checks when it agreed to loan 1 and on balance didn't do anything wrong when it agreed to lend at that stage. But by the time Mr L asked for loan 2, his circumstances had changed and AvantCredit ought to have seen and reacted to this through the checks it made. I am currently minded to think it didn't make a fair lending decision when it agreed to loan 2. So, I uphold Mr L's complaint and AvantCredit need to put things right."

I asked both parties to let me have any comments, or additional evidence, in response to my provisional decision. Both parties have responded with no further comments.

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.

Neither party has anything further to add that I feel I need to comment on or that will change the outcome of this complaint, I don't see any reason to depart from my findings within my provisional decision. With that being the case, I uphold Mr L's complaint.

Putting things right

I think it is fair and reasonable for Mr L to repay the principal amount that he borrowed for loan 2, because he has had the benefit of that lending. But he has been indebted with interest and charges on loan 2 that shouldn't have been provided to him.

Mr L mentioned in his complaint that AvantCredit sold loan 2 to a third party. But Mr L has provided information to our service that he had repaid this loan. AvantCredit will need to ensure when it puts things right that it removes all negative information relating to loan 2 on

his credit file. This includes working with the third party, for it to do so if it has added any negative information on the file about loan 2 also.

AvantCredit should:

- Remove all interest, fees and charges on loan 2 and treat all the payments Mr L has made as payments towards the capital.
- If reworking Mr L's loan account results in him having effectively made payments above the original capital borrowed, then AvantCredit should refund these overpayments with 8% simple interest calculated on the overpayments, from the date the overpayments would have arisen, to the date the complaint is settled*.
- Discuss with Mr L an affordable repayment plan if there is still an outstanding balance to repay.
- Remove all negative information about Loan 2 on Mr L's credit file.

*HM Revenue & Customs requires AvantCredit to deduct tax from this interest. AvantCredit should give Mr L a certificate showing how much tax it's deducted, if he asks for one.

My final decision

My final decision is that I uphold Mr L's complaint and direct AvantCredit of UK, LLC to put things right as described above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 3 August 2022.

Mark Richardson
Ombudsman