

Complaint

Mr M has complained that AvantCredit of UK, LLC (“Avant Credit”) irresponsibly lent to him.

Background

Avant Credit provided Mr M with a loan for £4,500.00 in June 2015. This loan was due to be repaid in 60 monthly instalments of just over £171. One of our adjudicators reviewed Mr M’s complaint and she thought Avant Credit shouldn’t have provided Mr M with his loan. Avant Credit disagreed, 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.

Preliminary matters

Avant Credit has suggested that this complaint was made too late as it was made more than six years after the loan was provided. But even though this may be the case, it has already received an explanation about why the complaint was made within three years of when Mr M ought to have been aware of his cause to complain.

I’ve seen what Avant Credit has said about other cases. But I’ve not seen anything to demonstrate that Mr M ought reasonably to have been aware of his complaint more than three years before he complained. Therefore, I’m satisfied that Mr M complained in time.

What I think about Avant Credit’s decision to lend to Mr M

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 Mr M’s complaint.

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 Mr 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.

The information Avant Credit has provided suggested that it carried out a credit check. The results of which appear to show that Mr M was already significantly indebted and had more than one revolving credit account which was close to its limit. And while Avant Credit says

this loan was for debt consolidation, the amount didn't correspond to what Mr M owed. So it's unclear to me how or what was going to be consolidated and more crucially how this was going to improve Mr M's financial position.

I think further checks would more likely than not have extended into finding out more about Mr M's expenditure. And if Avant Credit had done this here, I'm persuaded that it would have seen that Mr M was already in a difficult financial position at the time and also seen why this was the case. I'm also satisfied that reasonable and proportionate checks would more likely than not have shown Avant Credit that Mr M's existing precarious financial position was due to a fluctuating income, which hadn't improved in a while.

So I'm persuaded by what Mr M has said about already being in a difficult financial position at the time. And as reasonable and proportionate checks should have extended into finding out about Mr M's income and expenditure, I'm satisfied that they would more like than not have shown Avant Credit that it shouldn't have provided this loan to Mr M. As Avant Credit provided Mr M with this loan, notwithstanding this, I'm satisfied it failed to act fairly and reasonably towards him. Mr M ended up paying interest, fees and charges on a loan he shouldn't have been provided with in the first place. So I'm satisfied that Mr M 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 Mr M

Having thought about everything, Avant Credit should put things right for Mr M by:

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

My final decision

For the reasons I've explained, I'm upholding Mr M'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 Mr M to accept or reject my decision before 30 August 2022.

Jeshen Narayanan
Ombudsman