

## **Complaint**

Mr L has complained that AvantCredit of UK, LLC ("Avant Credit") irresponsibly lent to him.

## **Background**

Avant Credit provided Mr L with a loan for £3,500.00 in June 2015. This loan was due to be repaid in 60 monthly instalments of just over £143. One of our adjudicators reviewed Mr L's complaint and he thought Avant Credit shouldn't have provided Mr L with his loan. Avant Credit didn't agree, 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.

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 L'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 L 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 are more likely than not to have demonstrated that Mr L was already significantly indebted. He had more than one default – albeit they were historic but he also had more than one revolving credit account which was close to its limit and another which was over its limit. And while Avant Credit says this loan was for debt consolidation, the amount didn't correspond to what Mr L 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 L's financial position.

I think further checks would more likely than not have extended into finding out more about Mr L's expenditure. And if Avant Credit had done this here, I'm persuaded that it would have seen that Mr L was already in a difficult financial position at the time and also seen why this was the case.

So I'm persuaded by what Mr L 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

more about Mr L'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 L. As Avant Credit provided Mr L with this loan, notwithstanding this, I'm satisfied it failed to act fairly and reasonably towards him and it should put things right.

### **Fair compensation – what Avant Credit needs to do to put things right for Mr L**

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

- removing all interest, fees and charges applied to the loan from the outset. Any payments made, to Avant Credit (and any debt purchaser since the account was sold), should be deducted from the new starting balance – the £3,500.00 originally lent. If Mr L has already repaid more than £3,500.00 then Avant Credit should treat any extra as overpayments. And any overpayments should be refunded to Mr L;
- adding interest at 8% per year simple on any overpayments, if any, from the date they were made by Mr L to the date of settlement†
- if no outstanding balance remains after all adjustments have been made, all adverse information Avant Credit recorded about this loan should be removed from Mr L's credit file.

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

I'd also remind Avant Credit of its obligation to exercise forbearance and due consideration if it intends to collect on an outstanding balance, should one remain after all adjustments have been made to the account (should it buy it back from the third-party debt purchaser it sold his debt to), and it's the case that Mr L is experiencing financial difficulty.

### **My final decision**

For the reasons I've explained, I'm upholding Mr L'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 L to accept or reject my decision before 27 September 2022.

Jeshen Narayanan  
**Ombudsman**