

Complaint

Mrs S has complained about a loan AvantCredit of UK, LLC ("Avant Credit") provided to her. She says the loan was irresponsibly lent as it was provided at a time when she was already struggling and couldn't afford the payments.

Background

Avant Credit provided Mrs S with a loan for £2,000.00 in July 2016. This loan was due to be repaid in 24 monthly instalments of around £120. Mrs S had previously been provided with a loan in October 2015 but we've already separately explained why we can't look at whether that loan was provided fairly and reasonably. As a result all reference made to loan, in this decision, is made with reference to the loan Avant Credit provided in July 2016.

One of our adjudicators reviewed Mrs S' complaint and he thought Avant Credit shouldn't have provided Mrs S with this loan. So he thought that Mrs S' complaint should be upheld. 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.

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 Mrs S' complaint. Having carefully considered everything I've decided to uphold Mrs S' complaint. I'll explain why in a little more detail.

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 Mrs S 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 obtained information on Mrs S' income and some of her expenditure as well as carrying out a credit check. I'm concerned at the results of the credit check which shows that Mrs S was already significantly indebted – she had recently taken out two of her accounts and her revolving credit balances were towards her limit. Furthermore, the credit check shows that Mrs S had defaulted on previous

accounts too. So I'm persuaded by what Mrs S has said about already being in a difficult financial position at the time.

As this is the case, I think that Mrs S wasn't in a position where she would have been able to make the payments to this loan, without undue difficulty or borrowing further. So I'm satisfied that Avant Credit ought to have realised that it shouldn't have provided this loan to Mrs S.

As Avant Credit provided Mrs S with this loan, notwithstanding this, I'm satisfied it failed to act fairly and reasonably towards her.

Mrs S has ended up paying interest, fees and charges on a loan she shouldn't have been provided with. So I'm satisfied that Mrs S 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 Mrs S

Having thought about everything, Avant Credit should put things right for Mrs S by:

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

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

My final decision

For the reasons I've explained, I'm upholding Mrs 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 Mrs S to accept or reject my decision before 9 February 2023.

Jeshen Narayanan
Ombudsman