

## **The complaint**

Ms M has complained that AvantCredit of UK, LLC trading as AvantCredit, acted irresponsibly when it provided her with a loan in 2017.

## **Background**

Ms M applied for a £2,000 loan with AvantCredit in January 2017. She has said that at the time of the application AvantCredit failed to run sufficient checks to ensure the loan was affordable. She has said that if it had it would've realised she couldn't afford the repayments and it wouldn't have provided her with the credit. As such she believes it acted irresponsibly when it gave her the loan.

AvantCredit has said that at the time it did run affordability checks and that based on the information it gathered it believed the loan was affordable. So, it didn't uphold Ms M's complaint.

Unhappy with AvantCredit's response Ms M brought her complaint to this service. One of our investigators looked into the complaint already. She found that the information AvantCredit relied on was incorrect and that it should've done more to verify Ms M's financial circumstances. If it had she didn't think it would've given Ms M the loan as she didn't think it was affordable. So, she upheld the complaint.

Ms M agreed with the investigator's findings, but AvantCredit didn't and so the complaint has been passed to me to consider.

## **My findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so I agree with the conclusions of our investigator and for much the same reasons. So, I'm upholding Ms M's complaint.

There are rules and regulations that businesses must adhere to when they provide credit to consumers. These include obligations around checking that any credit is affordable, and repayments will be sustainable throughout the term of the agreement. There are numerous different ways credit providers can do this, but it generally involves some form of income and expenditure check as well as reviewing supporting information like credit files, bank statements or payslips.

When Ms M applied for her loan with AvantCredit it asked her to fill out an income and expenditure form in order to understand what her existing credit obligations were and what her monthly disposable income would be. This was done in order to allow it to assess whether or not she would be able to meet the monthly repayments until the loan was repaid.

AvantCredit has said that some of the information regarding outgoings provided by the consumer was likely to be incorrect as it seemed unrealistically high. So, it reduced the

amount of declared costs on certain areas such as utility bills. It also made the assumption that Ms M may have support paying these as she had a partner at the time of the application. So, it didn't rely on the information she provided and agreed to provide the credit based on edited amounts it didn't verify.

I don't think it's appropriate for a lender to assume the information it's been provided is incorrect without doing further checks. Looking at Ms M's credit file I can see that in the year prior to this loan she had taken out multiple high-cost credit loans and had had a loan default just two months prior to this lending. So, I think there was sufficient evidence available to show Ms M was struggling to manage her finances effectively and this should've given AvantCredit reason to question whether or not she would've been able to sustain the repayments for this loan throughout the two-year term.

Overall, I think there was sufficient evidence available at the time Ms M applied for this loan to show it wasn't affordable and that she would struggle to repay it. And I think if AvantCredit had properly verified the information it had received from Ms M at the point of application, and asked for some supporting evidence such as credit file or bank statements, it would've realised she was struggling to manage her finances and it wouldn't have given her the loan. So, I'm upholding her complaint.

### **Putting things right**

To settle Ms M's complaint AvantCredit of UK LLC should do the following:

- Add up the total amount of Ms M received as a result of having been given the loan. The repayments Ms M made should be deducted from this amount.
  - a) If this results in Ms M having paid more than she received, then any overpayments should be refunded along with 8% simple interest (calculated from the date the overpayments were made until the date of settlement). †
  - b) If any capital balance remains outstanding, then AvantCredit of UK LLC should attempt to arrange an affordable/suitable payment plan with Ms M
- Once the loan has been settled, AvantCredit should remove any negative information recorded on Ms M's credit file regarding the loan.

† HM Revenue & Customs requires AvantCredit of UK LLC to take off tax from this interest. AvantCredit of UK LLC must give Ms M a certificate showing how much tax it's taken off if she asks for one.

### **My final decision**

For the reasons set out above I uphold Ms M's complaint against AvantCredit of UK, LLC trading as AvantCredit.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms M to accept or reject my decision before 1 December 2023.

Karen Hanlon  
**Ombudsman**