

## **The complaint**

Mr R complains that AvantCredit of UK, LLC trading as AvantCredit irresponsibly lent to him.

## **What happened**

AvantCredit lent Mr R a loan in April 2016, the loan was for £2,000 with 24 monthly instalments of around £113. The highest monthly instalment was £113.45. The total amount repayable was £2,722.57.

AvantCredit didn't uphold Mr R's complaint so he referred it to the Financial Ombudsman Service. One of our adjudicators looked at what both parties said and thought although AvantCredit's checks went far enough, it didn't react appropriately to the results of its checks. She thought AvantCredit shouldn't have lent to Mr R and recommended that the complaint be upheld.

AvantCredit disagreed, it said its checks show Mr R could afford the loan repayments and it wasn't wrong to lend. It asked for an ombudsman to decide on the case.

## **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.

We've set out our general approach to complaints about high-cost lending - including all of the relevant rules, guidance and good industry practice - on our website.

AvantCredit needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out reasonable and proportionate checks to make sure Mr R could repay the loan without suffering financial detriment over the term, this includes Mr R being able to repay the loan without the need to borrow further. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and the consumer's income and expenditure.

I think AvantCredit's checks went far enough, it checked Mr R's monthly income and expenditure, searched his credit file and assessed his bank statements from February 2016 to April 2016.

In my opinion the results of those checks should have concerned AvantCredit. This was Mr R's first loan with AvantCredit but it was a loan that he was committing to repay over the next two years. The checks showed Mr R's income was around £1,200 a month, Mr R declared his living costs as £270 which included costs of housing, car and other. The credit file showed Mr R had five defaults in 2013, four of these were still active at the time of the loan and Mr R was continuing to repay the balances on these four accounts. Mr R had an active short term loan account, an overdraft and a credit card account which he'd used a substantial amount of the limit.

The loan was for home improvement and so it was increasing Mr R's debt burden. The checks showed Mr R was regularly borrowing and repaying the short-term lender, an account he'd opened since 2013. My understanding of this short-term account is that Mr R has a limit he can use on the account, and this is usually repaid at the end of the month in full. For the months of February, March and April 2016, Mr R was either borrowing or repaying this loan account, in February 2016, he repaid over £1,000, he borrowed around £860 in March and repaid £900 in April.

Mr R had some gambling transactions which although I don't think were significant, I've addressed because AvantCredit has referred to the winning Mr R had as the reason for his higher spend. AvantCredit will know that winnings from gambling in these circumstances isn't regular income and it wouldn't be reasonable to consider that as income for Mr R over the two-year term of this loan. It is also important to say despite the winnings, Mr R continued to borrow from the short-term loan account.

I think this was regular credit line Mr R relied on and he was paying significant sums of his income towards this. Mr R was also in a debt management plan for his defaulted accounts and was paying £50 towards those, he was using his credit card and his overdraft. Mr R's bank statements show he was incurring fees for the overdraft and had direct debit payments returned due to lack of funds.

The overall picture of Mr R's finances in my opinion doesn't suggest he could keep up with the repayments over two years without borrowing further, particularly when you consider his income. I've thought carefully about AvantCredit's response to the adjudicator's view but as I stated above, the short-term credit wasn't a loan he took out, repaid and closed. It was an account that he had access to and had demonstrated reliance on from the bank statements AvantCredit saw.

There were enough concerns about Mr R's finances that I don't think AvantCredit should have lent to him in the circumstances. AvantCredit needs to put things right.

### **Putting things right – what AvantCredit needs to do.**

- Refund all interest and charges Mr R paid on the loan.
- Pay interest of 8% simple a year on any refunded interest and charges above from the date they were paid (if they were) to the date of settlement†.
- Remove any negative information about the loan from Mr R's credit file.

† HM Revenue & Customs requires AvantCredit to take off tax from this interest. AvantCredit must give Mr R a certificate showing how much tax it's taken off if he asks for one.

### **My final decision**

For the reasons given above, I uphold Mr R's complaint and direct AvantCredit of UK, LLC to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 16 November 2023.

Oyetola Oduola  
**Ombudsman**