

The complaint

Mrs N complains that AvantCredit of UK (“Avantcredit”) LLC, irresponsibly gave her a loan she couldn’t afford.

What happened

In March 2016 Mrs N applied for a loan with Avantcredit. She said the purpose of the loan was debt consolidation. She was approved for loan of £9,500 with monthly repayments over five years of £316.83 per month.

Mrs N started getting into difficulty with meeting her loan repayments in or around September 2018. In June 2019 the account was put into default.

Our investigator initially upheld the complaint as it appeared that Mrs N was adding to her existing level of borrowing in a way that was unsustainable. But having received further information from Avantcredit about how the loan funds were to be used, our investigator decided to revise his finding to saying the complaint should not be upheld. This was essentially because Mrs N was likely to be left with enough disposable income after meeting her new loan and other credit repayments.

As Mrs N didn’t agree, the complaint has been passed to me to decide.

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.

I’ve read and considered the whole file, but I’ll confine my comments to what I think is relevant. If I don’t comment on any specific point it’s not because I’ve failed to consider it but because I don’t think I need to comment on it in order to reach what I think is the right outcome in the wider context. My remit is to take an overview and decide what’s fair “in the round”.

Avantcredit will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don’t consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

Mrs N’s complaint is that Avantcredit made a loan available to her that was unaffordable and so it should have carried out better checks before agreeing to lend to her. In making my decision I have to look at the information that was available, or likely to have been available, to Avantcredit at the time it made its lending decision, rather than relying on hindsight.

Avantcredit has explained it relied in part on information that Mrs N provided at the time of the application to help it to assess if it was likely to be affordable. Avantcredit also carried out a credit search in Mrs N’s name to assess Mrs N’s level of debt at that time and to

understand how she had been managing that debt. Mrs N was also asked to provide a bank statement so that her income could be verified. She told Avantcredit she was earning £2,150 per month. She also gave details of her housing and utility costs (including her mortgage contribution) and other monthly committed expenditure that wasn't to do with credit.

Based on this, Avantcredit thought Mrs N would be left with enough disposable income to pay the new loan plus any remaining credit she'd have left after using the loan to consolidate some of her existing debt. Mrs N told our investigator that she used the funds from her new loan to pay off overdraft and credit card sums that she owed, but that this would still have left her with some debt to pay.

I think that in this case Avantcredit carried out checks that were reasonable and proportionate. However, just because I think they carried out proportionate checks, it doesn't automatically mean Avantcredit made a fair lending decision. So, I've thought about what the evidence and information about its checks showed. Having done so, I think what it gathered was reasonable. I'll explain why.

Mrs N has suggested that notwithstanding using the loan to consolidate some existing credit, it was still unaffordable for as her finances were already stretched. She says she was making constant use of her overdraft, which I've seen from her bank statements, She also pointed out that her husband helped her in meeting some expenses. I appreciate that Mrs N would still have to pay some credit she owed each month after using the loan to consolidate some of her borrowing. By doing so she would also likely have reduced the required monthly payments and would be in a position to make more sustainable payments so she could pay off her credit sooner. Also, from what I've seen she would still have disposable income each month.

Aside from her mortgage debt, Mrs N appeared to be owing just under £11,000 in unsecured debt, coming from her overdraft, loans, credit cards and a mobile phone contract repayment. Given that she intended to pay around £7,700 to consolidate debt from what she owed, including all of her overdraft debt and credit card debt that would total around £6,100, she would still be left owing around £3,300 in unsecured credit. I agree with our investigator that Mrs N would need to find around £220 to pay that after consolidating. She also needed to pay the £1,030 monthly costs she set out on her application, which included a £450 contribution towards her mortgage. That means she had to find £1,250 in total, leaving her with around £900 available each month from which she would have to fund the loan repayment amount of £316.83. That means she would still be left with around £600 in disposable income each month.

So based on the evidence and information I've seen I think it's likely that Mrs N would be able to sustainably repay her new loan.

To summarise, I think that Avantcredit made checks that were proportionate at the time the lending decision was made. And I haven't seen anything to make me think that the evidence and information AvantCredit had seen at the time of the lending decision would have led it to think that the credit Avantcredit provided to Mrs N was unreasonable.

I know Mrs N is disappointed with our investigator's assessment as she has had other complaints that were upheld. But each case is decided on its own merits based on the particular circumstances of the borrowing, the checks performed at the time and the actual circumstances of the consumer.

I also recognise the amount of time and energy Mrs N has invested in pursuing her complaint. But having considered all the available evidence and information, especially from

the time of the lending decision, I have not found sufficient evidence to uphold this complaint.

My final decision

For these reasons, my decision is that I don't uphold Mrs N's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs N to accept or reject my decision before 2 April 2024.

Michael Goldberg

Ombudsman