

## **complaint**

Mr B complains that AvantCredit Of UK LLC (trading as Springcoin) was irresponsible to lend him money he couldn't afford to pay back.

## **background**

The background to this complaint and my provisional findings are set out in my provisional decision dated 11 April 2016 – a copy of which is attached and forms part of my final decision. In my provisional decision I explained why I considered it was irresponsible of AvantCredit to provide this loan.

Mr B accepted my provisional findings, but AvantCredit disagrees. It says (in summary) I identified a default on Mr B's credit file and the number of payday loans he took out as evidence of financial difficulty. But the default was 28 months old and Mr B met other payment obligations after that. And, while Mr B often took out high cost, short term loans he wanted this loan to consolidate debts.

A credit search showed Mr B only had six active accounts costing him about £750 a month - which left nearly £150 a month disposable income. This loan reduced Mr B's monthly outgoings by over £500, so it was affordable and helped him manage his money.

AvantCredit is concerned it won't be able to give customers this opportunity to escape the cycle of high cost, short term credit if it has to apply a ceiling on the number of loans a customer has before lending because of regulatory or ombudsman action.

## **my findings**

I've reviewed AvantCredit's response carefully and re-considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

This service isn't a regulator. My role here is simply to look at Mr B's individual complaint and determine whether AvantCredit lent him money he couldn't afford to repay - and, if it did, whether AvantCredit should reasonably have known that at the time.

AvantCredit accepts Mr B had been borrowing regularly from payday lenders for some time when he asked to borrow this money. Its credit search results suggest he'd borrowed thousands of pounds in the six months before he got this loan. I appreciate most of those loans were paid off, but given the pattern of borrowing, I think it likely Mr B was only able to meet those obligations by incurring more problem debt.

AvantCredit considers this loan allowed Mr B to consolidate his existing debts and reduce monthly payments - so it wasn't irresponsible to lend. And I accept debt consolidation sometimes works for borrowers. But I don't think that's likely if the customer is already in serious financial difficulties and can't actually afford to pay back the consolidation loan.

FCA guidance says adverse entries on a credit file, or evidence of borrowing further to repay existing debts, may indicate a customer's in difficulties. And, given the evidence AvantCredit saw here, I remain of the view it should reasonably have suspected Mr B *might* have serious financial issues.

I don't suggest that means AvantCredit had to decline his application automatically. But I think it was irresponsible to provide further credit of nearly £3,000, without getting some verification of Mr B's financial situation first. I think it likely AvantCredit would have recognised the extent of Mr B's financial problems if it had, and declined his application.

For reasons I've explained already, I'm satisfied Mr B couldn't afford this loan. I'm not persuaded AvantCredit's decision to lend was responsible or that there are grounds here for me to reasonably depart from my provisional conclusions.

### **my final decision**

My decision is I uphold this complaint. In full and final settlement I require AvantCredit Of UK LLC (trading as Springcoin) to

1. refund any interest and charges Mr B has paid already, plus interest at 8% simple a year from the date of payment to the date of settlement;
2. remove any interest and charges applied to the outstanding balance, so only capital is left to pay and apply the refund referred to at 1 above to reduce that;
3. remove any information recorded about the loan from Mr B's credit file; and
4. pay Mr B £50 compensation for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 11 July 2016.

Claire Jackson  
**ombudsman**

## **copy provisional decision**

### **complaint**

Mr B complains that AvantCredit Of UK LLC (trading as Springcoin) was irresponsible to lend him money when he couldn't afford to pay it back.

### **background**

In January 2015 Mr B borrowed £2,000 from AvantCredit, repayable in 18 instalments of about £165 a month. Mr B was only able to meet the first three repayments. He's been in a debt management plan since July 2015 and says he still owes AvantCredit about £2,400. Mr B considers AvantCredit shouldn't have given him this loan, as he was struggling financially - unable to meet priority debts and dependant on short term loans at the time. He thinks AvantCredit would have realised that, if it had done proper checks.

AvantCredit says Mr B declared monthly income of about £1,500 and expenditure of £600. It did a "soft" credit search and Mr B's application was assessed using its usual criteria. That looked at his credit score, repayment history, credit obligations and debt to income ratio, amongst other things. AvantCredit says it saw no signs of financial difficulty and the loan was affordable. As a goodwill gesture, it offered to waive late fees of £36 and pay Mr B £50.

Our adjudicator doesn't recommend the complaint should be upheld. He's satisfied AvantCredit did enough checks and Mr B didn't tell the lender about his true financial situation when he applied for the loan.

Mr B accepts he didn't inform AvantCredit about his financial problems or the full extent of his debts. He says he was desperate at the time, in a spiral of problem debt and under threat of eviction. He considers it should have been clear from a credit search that he'd been overly reliant on payday loans for some time. So AvantCredit should have refused to lend. In which case, Mr B thinks he would have been forced seek help from a debt charity sooner – so this loan just made a bad situation worse.

### **my provisional findings**

I've looked at all the evidence and arguments available so far to consider what's fair and reasonable in the circumstances of this complaint.

AvantCredit was under an obligation to assess if this loan was affordable for Mr B before lending. It had some discretion about the nature and extent of any checks – but they should have been sufficient to ensure Mr B could probably repay the loan in a sustainable way.

AvantCredit considers it did enough to fulfil that obligation. I can see it asked Mr B about his income and spending, and found his responses acceptable. And I acknowledge lenders are generally entitled to rely on such information.

But AvantCredit also reviewed Mr B's credit history. It has now provided the relevant credit search results and I've considered those carefully. I think any reasonable lender looking at Mr B's application here would have found it significant that the results suggest he had

- taken out 15 short term loans (totalling over £2,500) in the six months before this one - just over half of those were provided in the last three months and two were still active;
- total monthly payments due on active accounts (excluding mortgages) of £751; and
- one defaulted account, one delinquent account and several accounts showing evidence of late or missed payments.

I realise the default was more than two years old. But, I think it shows the way Mr B managed his finances in the past. And, taken with more recent adverse information – as well as the high number

and value of short term loans – I think AvantCredit should have been alerted to the fact Mr B might have some financial problems.

And Mr B said his outgoings were £600 when he applied for this loan. But the monthly credit repayments visible on AvantCredit's search exceed that amount by over £150. I think Mr B probably had other essential expenses – over and above credit repayments – as well. So I consider a reasonable lender would have taken steps to ensure the information Mr B provided was correct and complete.

Mr B had to repay nearly £3,000 over 18 months under the terms of this loan. That's a relatively substantial credit commitment. So I'm satisfied it would have been reasonable and proportionate, in all of the circumstances here, for AvantCredit to ask Mr B for some verification of his financial situation (such as bank statements) before agreeing to lend.

Mr B has provided copy bank statements as well as his current credit file. Having reviewed those I can see his monthly income was made up of about half salary and half in work benefits. Mr B's credit file shows regular and frequent borrowing from multiple payday lenders since 2013. He appears to have actually borrowed about £4,500 in the six months before he applied for this loan.

And Mr B's bank statements indicate he regularly took out new payday loans the day he was paid and or the same day he'd repaid others. There's also evidence of additional short term loans that don't appear in Mr B's credit file. And Mr B repaid payday debt of over £1,000 and borrowed nearly another £1,000 in December 2014 alone.

Overall, I'm satisfied Mr B was in serious financial difficulty by January 2015 - and there were signs of that in the results of the affordability checks AvantCredit carried out. So I think AvantCredit should reasonably have suspected there was an issue here and asked Mr B for evidence of his financial situation. If it had done so, I think it's more than likely AvantCredit would have concluded this loan wasn't affordable and refused Mr B's application.

In view of that, I'm minded to find this lending was irresponsible. As such, I think AvantCredit should refund the interest and charges Mr B has paid already, plus interest. Mr B had the benefit of the money he borrowed, so it's fair he should pay that back. Mr B seems to be doing his best to do that under his current debt management plan. So, if there's any interest and charges remaining, AvantCredit should remove it. And apply the refund to reduce the balance outstanding - leaving only capital to repay - under the plan.

I don't think it fair that Mr B's credit history should be adversely affected by AvantCredit's decision to lend in the circumstances here. So it should remove any information recorded about this loan from Mr B's credit file. I can see Mr B has had a very difficult and stressful time over the few years. I think AvantCredit's actions are likely to have added to the upset and trouble he experienced. And I'm inclined to require it to pay Mr B £50 compensation for that.

#### **my provisional decision**

For the reasons I've given, but subject to any further comments or information I receive from Mr B or AvantCredit, I intend to uphold this complaint and order AvantCredit Of UK LLC to

5. refund any interest and charges Mr B has paid already, plus interest at 8% simple a year from the date of payment to the date of settlement;
6. remove any interest and charges applied to the outstanding balance, so only capital is left to pay and apply the refund referred to at 1 above to reduce that;
7. remove any information recorded about the loan from Mr B's credit file; and
8. pay Mr B £50 compensation for distress and inconvenience.