

complaint

Miss P complains that AvantCredit of UK LLC (trading as AvantCredit) lent money to her at a time when she was unable to afford the repayment.

background

Miss P applied for a loan with AvantCredit in 2016. She borrowed £6000 on 3 March 2016 with £9,595.77 to be repaid over 35 months by instalments of £266.55. Miss P says that she had other loans at the time and couldn't afford to make the repayments. She says that she had to borrow from payday loan companies to cover the loan repayments.

Miss P says that AvantCredit didn't carry out sufficient affordability checks. She says that her outgoings exceeded her income and that her credit report showed other loan repayments, late payments and defaults.

Miss P wants AvantCredit to refund all of the interest she's paid on the loan.

The adjudicator didn't uphold the complaint. She said that AvantCredit had carried out proportionate checks which had not raised any affordability concerns and that based on the information available the business would not have known that the loan would not be affordable.

Miss P didn't agree. She said that if AvantCredit had asked for proof of income it would have seen that she wasn't earning enough to meet the repayments. She provided payslips showing that her income prior to applying for the loan was £1391 per month. She also said that she had provided AvantCredit with the log in details for her bank account and that if it had looked at her account it would have seen her true financial position and would also have seen that she was gambling excessively.

my findings

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

The way in which this service approaches these types of cases is to look at whether the business has carried out proportionate affordability checks to check that the customer is able to make the loan repayments without putting themselves in financial difficulties.

Guidance issued by the Financial Conduct Authority says that affordability checks must be proportionate in relation to factors including the cost of the credit and the customers existing financial commitments. There are not set checks which a business is required to carry out which means there is no specific requirement to (for example) check bank statements. Usually as a minimum a business will ask a customer for details of income and expenditure and carry out a credit check. A business can only take into account information which it is aware of at the time so if something isn't on a customer's credit file, the business can't fairly be expected to have known about it.

I've looked at the available information to determine whether AvantCredit carried out proportionate affordability checks. The affordability report shows that when Miss P applied for the loan she told AvantCredit that she had an annual gross salary of £27,807.

AvantCredit cross checked this with Miss P's CallCredit report and calculated that she had a net monthly income of £1,833.

I appreciate that Miss P has now provided bank statements which show that her net monthly income at the time was £1,586. But this wasn't the income she declared to AvantCredit at the time of applying for the loan. The business wasn't aware that Miss P's net income was £1,586. But even if it had been aware I can't see that this would have made a difference to the lending decision because on the information available at the time Miss P would still have been left with sufficient disposable income every month.

I can see that AvantCredit checked Miss P's credit report. This showed that Miss P had some other loans, a current account and some card accounts. The business calculated Miss P's credit score taking these other liabilities into account and found her to be creditworthy.

Miss P has recently provided her Equifax credit report. This shows that at the time she applied to AvantCredit she had an outstanding balance on her credit card and a home shopping account. She also had some current accounts and a utility bill account. I've looked at the report and my general impression is that the accounts were being well managed. So if AvantCredit had seen this information I don't think it would have given it any cause for concern.

When Miss P applied to AvantCredit she didn't provide very much information about her outgoings. AvantCredit used the information provided and also took into account information provided by the Office for National Statistics and calculated that Miss P's monthly outgoings were £800.

Miss P has subsequently provided her bank statements and I can see that her monthly outgoings at the time of applying for the loan were £1,394. But this information wasn't provided to AvantCredit at the time and I don't think the figure used by AvantCredit (£800) was unreasonable in the circumstances.

Based on the information which was provided to AvantCredit at the time, Miss P was left with disposable income. For this reason I don't think that the business had any reason to think that the loan wasn't affordable.

I've noted what Miss P has said about her fluctuating income and other information which she feels that AvantCredit should have taken into account, such as her IVA and her gambling problem. She says that AvantCredit would have seen this information if it had looked at her bank statements. AvantCredit has confirmed that Miss P provided her log in details for her bank account but it says that because she passed the credit check there was no need for it to look at her bank statements. I think this is reasonable taking into account the information which Miss P had provided about her income and other repayments.

Taking all of the circumstances of the complaint into account I think that AvantCredit carried out affordability checks which were proportionate to the amount which Miss P was borrowing and even though the loan turned out not to be affordable, I can't say that AvantCredit would have known this based on the information available to it at the time.

my final decision

My final decision is that I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss P to accept or reject my decision before 28 July 2018.

Emma Davy
ombudsman