

complaint

Mr B complains that AvantCredit of UK, LLC (Avant) provided him with a loan when he had a lot of other outstanding debts. He says he could not afford the loan repayments.

background

Mr B took out a loan with Avant in April 2016 for £4,000. The loan was repayable over 24 months with monthly repayments of around £240. Mr B says that when he took out the loan he was repaying lots of other debts and that the loan resulted in him getting further into debt. Mr B says that Avant did assist him on a few occasions by providing payment plans but then his debt was passed to a debt collector without him being informed. He says the loan should not have been provided.

Avant says that Mr B's loan application was automatically approved based on the information he provided and a credit check. It says Mr B listed the reason for the loan as emergency expenses and said his net monthly income was £2,000 and expenses were £700. Avant verified Mr B's income through a credit report which it says indicated a gross monthly income of around £2,500. A credit check was carried out which it says indicated that Mr B had not been in arrears on any accounts in the past 12 months.

Avant says that it was made aware of Mr B's financial hardship on 17 September 2016 and that interest and fees were frozen at that time. It says that four arrangements were added to Mr B's account and that from September 2016 until when the debt was sold no additional interest was charged.

Our adjudicator did not recommend that this complaint be upheld. She was satisfied that at the time Mr B took out the loan it was affordable for him. She said that Avant carried out the relevant affordability checks and was entitled to rely on the information Mr B provided. She said that since taking out the loan Mr B's financial situation may have changed and that Avant had treated him positively and sympathetically by putting payment arrangements in place.

Mr B did not agree with our adjudicator's view. He said that his credit report from the time showed he was struggling with debt. He said his salary at the time was around £1,938 and that the income our adjudicator had included in his March / April figure included a £1,000 loan which he took out from his employer to help pay his debts. He said that after paying his other loan repayments he struggled to pay for this loan.

my findings

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

I have looked at the application Mr B made for the loan. This requests information about his income and expenses. The form records Mr B's net monthly income as £2,000 and his expenses as £700. It is reasonable that Avant relied on the information Mr B provided.

Avant says that Mr B's application was automatically approved after he connected his online bank account to its system. It says it did not require additional bank statements to be provided.

A credit check was carried out on Mr B. Mr B has provided a copy of a recent credit report. I have looked through this and can see that there were defaults recorded before Mr B took out the loan. However these defaults were recorded in 2013 and 2014. Given the time that had passed between when the defaults had been recorded and when the loan was taken out and as there were no defaults recorded in the previous 12 months, I do not find that this means the loan should not have been provided.

Mr B has said he had a number of loans outstanding when he applied for this loan. I can see a check on Mr B's debt levels was carried out and this showed that these had increased by £1,155 in the past three months and by £1,444 in the past 12 months. While this shows he was increasing his debt levels, again I do not find that this should have meant the loan was not approved.

While I can see that Mr B's bank statements record a number of payday loans from the time this loan was approved and also record payments to gambling sites (which would simply show as payments from his net income, rather than debt), I have to consider whether the checks Avant carried out before the loan was provided were sufficient.

Before providing the loan, Avant gathered information on Mr B's income which it then verified. It also asked him about his expenses. Based on this Mr B's disposable income was sufficient to meet the monthly repayments. I find it reasonable that Avant relied on this information. A credit check was carried out and from what I have seen I do not find that this raised sufficient concerns to require further checks to be carried out.

Because I find that the checks carried out before the loan was provided were reasonable I do not find that it should have requested Mr B's bank statements. As Mr B did not tell Avant about his payments to gambling sites or (specifically) the payday loans he had Avant would not have been aware of these at the time of the loan.

Mr B's loan is dated 9 April. Mr B has provided copies of his bank statements for the period following this as well as short period before the loan was provided. While I can see that the statement for 22 March to April shows that Mr B was making several payments to other debt providers (mainly payday lenders) as I do not find that Avant was required, based on the information that had been provided, to check his statements, I do not find that it was reasonably aware of Mr B's situation.

I note the comments our adjudicator made about Mr B's income at that time and Mr B's response that his income was around £1,938 and that a £1,000 income noted by our adjudicator was a loan from his employer. I understand Mr B's comments and the misunderstanding about the loan, but I do not find that this changes my decision. I say this because the income Mr B provided to Avant of £2,000 is in line with the income he has confirmed and he said his expenses were £700. Because I think that Avant carried out sufficient checks and these checks did not suggest the loan was unaffordable I do not find that I can uphold this complaint.

I appreciate that Mr B encountered issues repaying the loan. As he informed Avant about his difficulties we would expect Avant to treat him positively and sympathetically. Avant did put repayment arrangements in place and froze the interest and charges. I find that this was reasonable.

Mr B's debt was sold and while I note Mr B was not happy with this I do not find that Avant did anything wrong by selling the debt.

my final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 16 April 2018.

Jane Archer
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