

## **Complaint**

Mrs B has complained about loans AvantCredit of UK, LLC (“Avant Credit”) provided to her. She says the loans were unaffordable.

## **Background**

Avant Credit provided Mrs B with an initial loan for £2,000.00 in March 2016. This loan was due to be repaid in 24 monthly instalments of just under £150. Mrs B repaid this loan early and in May 2017 Mrs B was provided with a second loan for £2,800.00. This loan was due to be repaid in 36 monthly instalments of just over £130. One of our adjudicators reviewed Mrs B’s complaint and he thought Avant Credit shouldn’t have provided Mrs B with either of these loans. Avant Credit disagreed so the case was passed to an ombudsman.

## **My findings**

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

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Mrs B’s complaint.

Avant Credit needed to make sure it didn’t lend irresponsibly. In practice, what this means is Avant Credit needed to carry out proportionate checks to be able to understand whether Mrs B could afford to repay any credit it provided. Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

At the time of loan 1, the credit check carried out showed Mrs B had at least one outstanding default. So I would have expected Avant Credit to take a closer look at Mrs B’s expenditure to ensure that she could afford the monthly payments before lending to her. For loan 2, I accept that Avant Credit may argue that the relatively low monthly payments meant that a relatively light touch assessment would have been proportionate here. But I’m mindful that this was Mrs B’s second loan with Avant Credit. And the information Avant Credit has itself provided suggests that Mrs B didn’t have the disposable income required to repay this loan. It seems rather strange to me that Avant Credit still thought that Mrs B could make her payments in these circumstances.

So I’m persuaded by what Mrs B has said about already being in a difficult financial position at the time of these loans. And while it’s possible Mrs B’s credit file reflected her choices rather ongoing financial difficulty, I’d add that my experience of these types of cases suggest

this is unlikely, the results of Avant Credit's affordability assessment and the suggestion Mrs B's disposable income wasn't enough to make the loan payments to loan 2 persuade me this wasn't the case.

As this is the case, I do think that Mrs B's existing financial position meant that she was unlikely to be able to afford the payments to these loans, without undue difficulty or borrowing further. And I'm satisfied that reasonable and proportionate checks would more like than not have shown Avant Credit that it shouldn't have provided these loans to Mrs B.

As Avant Credit provided Mrs B with these loans, notwithstanding this, I'm satisfied it failed to act fairly and reasonably towards her. Mrs B has ended up paying interest, fees and charges on loans she shouldn't have been provided with. So I'm satisfied that Mrs B lost out because of what Avant Credit did wrong and that it should put things right.

### **Fair compensation what Avant Credit needs to do to put things right for Mrs B**

Having thought about everything, Avant Credit should put things right for Mrs B by:

- refunding all interest, fees and charges Mrs B paid on her loans;
- adding interest at 8% per year simple on the refunded payments from the date they were made by Mrs B to the date of settlement†
- removing all adverse information it recorded on Mrs B's credit file as a result of this loan.

† HM Revenue & Customs requires Avant Credit to take off tax from this interest. Avant Credit must give Mrs B a certificate showing how much tax it has taken off if she asks for one.

### **My final decision**

For the reasons I've explained, I'm upholding Mrs B's complaint. AvantCredit of UK, LLC should put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 31 May 2022.

Jeshen Narayanan  
**Ombudsman**