

The complaint

Mr B has complained that AvantCredit of UK, LLC (trading as “AvantCredit”) lent to him irresponsibly.

What happened

Mr B was given four fixed term loans by AvantCredit. The details of the lending are given below:

Loan	Date taken	Instalments	Amount	Repayments	Repaid
1	07/10/2015	12	£2200	£225.16	25/08/2016
2	20/09/2016	36	£2000	£89.60	25/09/2016
3	12/12/2016	36	£2600	£128.28	24/02/2017
4	03/08/2017	36	£2000	£99.54	26/10/2017

I issued a provisional decision on this complaint in March 2022. Both parties have received a copy of that provisional decision, but for completeness I include an extract from the decision below. I said;

“Did AvantCredit make a fair lending decision when it agreed to give Mr B the loans?”

Mr B applied for loan 1 in October 2015. I can see from the documentation AvantCredit has provided, that it asked for information about his income and expenditure. It also says it carried out a credit check. It also used an online verification tool to validate Mr B’s monthly income.

AvantCredit say the checks it carried out showed that Mr B had enough disposable income to afford the loan repayments for the first loan, but I don’t need to draw any conclusions about what checks it says it did at the time and whether these were sufficient. This is because, on balance, I don’t currently think AvantCredit made a fair lending decision on loan 1 and I will explain why.

AvantCredit ought to have been aware from the information it had acquired (and supplied to our service) that Mr B wouldn’t have been in a position to make the loan repayments in a sustainable way.

Mr B’s credit search showed that he had combined unsecured debt of around £47,870, a large sum for him that represented more than a year’s salary. £21,110 of this was taken out by Mr B within 12 months of this application. The report also lists that he used 11 different finance providers to obtain this additional credit. Mr B had total monthly repayments of £526 a month to make from existing loans before also repaying the repayment of around £225 for loan 1. So, Mr B was signing up for making £751 in monthly repayments a month. AvantCredit verified using an online tool that Mr B’s monthly income was £2675. The total monthly credit commitments that Mr B would be paying with Loan 1 included represented around 28% of this. The credit report showed Mr B also held credit cards at that time and would have needed to keep repayments on these also in addition to the £751 loan repayments he would have had to make. This all leads me to conclude that Mr B would need

to repay a significant amount in credit and do so over a 12 months term. Something that I think, on balance was not sustainable and would have caused Mr B further difficulty.

The customer should be able to make repayments on time, while meeting other reasonable commitments; as well as without having to borrow to meet the repayments. And it follows that a lender should realise, or it ought fairly and reasonably to realise, that a borrower won't be able to make their repayments sustainably if they're unlikely to be able to make their repayments without borrowing further. Something which I think AvantCredit ought to have realised was the case here when it assessed the information that it would have had in front of it. So, I am currently minded to conclude that Mr B wouldn't have been in a position to sustainably repay the repayment for loan 1 over the term of the loan and based on what I have already concluded, AvantCredit shouldn't have agreed to it.

I have looked at the documentation provided by AvantCredit for loans 2,3 and 4 also and I can see that Mr B's finances didn't improve. Mr B throughout his lending relationship with AvantCredit continued to repay a significant amount in credit commitments each month. For Loan 2 his total unsecured debt had increased to £68,815 with higher monthly repayments and a larger proportion taken of Mr B's income. Mr B continued to pay a significant amount of his monthly income when he asked for loans 3 and 4 also. So, it follows that I uphold Mr B's complaint about these loans too for the same reason that I have upheld the first loan.

Was there a point in which the pattern of lending itself showed further borrowing would be unsustainable for Mr B?

I also looked at the overall history and pattern of lending of these loans. By the time of Loan 4, [AvantCredit] ought reasonably to have realised it was increasing Mr B's indebtedness in a way that was unsustainable or otherwise harmful and so it shouldn't have provided this loan.

I say this because:

- *By the time Mr B was asking for loan 4 he had been borrowing from AvantCredit for around 22 months;*
- *Mr B wasn't making any inroads to the amounts he owed AvantCredit. The amounts he was asking for had stayed largely the same;*
- *Mr B had paid large amounts of interest to, in effect, service a debt to AvantCredit over an extended period;*

I think, the presence of these high cost loans on Mr B's credit file was likely to have had implications for Mr B's ability to access mainstream credit.

I think on balance AvantCredit ought reasonably to have realised It was unlikely that Mr B would be able to sustainably repay the first loan over the extended terms provided. I think in these particular circumstances; AvantCredit should reasonably have concluded that it was not appropriate to lend to him when it assessed loan 1. Mr B's finances did not improve and so it shouldn't have agreed to lend to him on the 3 other occasions either.

So, I am currently upholding this complaint and direct AvantCredit to put things right."

I asked both parties to let me have any comments, or additional evidence, in response to my provisional decision. AvantCredit responded. Initially it pointed out a clerical error and then added that Mr B had paid off the loans early and not accrued a lot of interest. It then responded again and said that it accepts the findings in the provisional decision. Mr B responded and said he accepts the decision.

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.

Both parties have accepted my findings in the provisional decision. There isn't anything else that I feel I need to comment on or that will change the outcome of this complaint. So, because of this, I don't see any reason to depart from my findings within my provisional decision and I uphold Mr B's complaint.

Putting things right

I think it is fair and reasonable for Mr B to repay the principal amount that he borrowed, because he has had the benefit of that lending. But he has been indebted with interest and charges on lending that shouldn't have been provided to him.

AvantCredit should:

- Remove all interest, fees and charges on loans 1-4 and treat all the payments Mr B has made as payments towards the capital.
- If reworking Mr B's loan account results in him having effectively made payments above the original capital borrowed, then AvantCredit should refund these overpayments with 8% simple interest calculated on the overpayments, from the date the overpayments would have arisen, to the date the complaint is settled*.
- Treat Mr B fairly, If there is a balance remaining for Mr B to repay. It should work with Mr B to find an affordable payment plan.
- Remove any adverse information recorded on Mr B's credit file in relation to loans 1-3. And remove all entries relating to loan 4. At this point, any information about this loan was likely to be adverse for Mr B.

*HM Revenue & Customs requires AvantCredit to deduct tax from this interest. AvantCredit should give Mr B a certificate showing how much tax it's deducted, if he asks for one.

My final decision

My final decision is that I uphold Mr B's complaint and I direct AvantCredit of UK, LLC to put things right as I have described above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 4 May 2022.

Mark Richardson
Ombudsman