

The complaint

Mr M says Gain Credit LLC (trading as Lending Stream) irresponsibly lent to him.

What happened

This complaint is about two 6-month instalment loans Lending Stream provided to Mr M in April 2016 and September 2016. Details of these loans are set out below.

Loan	Taken out	Repaid	Amount, £
1	27/04/2016	30/05/2016	150
2	09/09/2016	13/06/2018	300

Our adjudicator didn't uphold Mr M's complaint. Mr M disagreed saying if Lending Stream had done proper checks it would have realised he had a gambling addiction and not lent to him. So the complaint was passed to me.

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. We've set out our general approach to complaints about short-term lending - including all of the relevant rules, guidance and good industry practice - on our website.

Lending Stream needed to take reasonable steps to ensure that it didn't lend irresponsibly. This means that it should have carried out proportionate checks to make sure Mr M could repay the loan in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and the consumer's income and expenditure. With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate.

But certain factors might point to the fact that Lending Stream should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These factors include:

- the *lower* a consumer's income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- the *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);

- the *greater* the number and frequency of loans, and the longer the period of time during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

I think that it is important for me to start by saying that Lending Stream was required to establish whether Mr M could sustainably repay his loan – not just whether the loan payments were affordable on a strict pounds and pence calculation.

Of course the loan payments being affordable on this basis might be an indication a consumer could sustainably make their repayments. But it doesn't automatically follow this is the case. This is because the Consumer Credit Sourcebook ("CONC") defines sustainable as being without undue difficulties and in particular 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.

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mr M's complaint.

Lending Stream says it agreed to Mr M's applications after asking for income and expenditure data and after completing credit checks and looking at third party data to understand his other credit commitments. And this information suggested that Mr M would be able to make the repayments he was agreeing to. So, in these circumstances it wasn't irresponsible to provide the loans.

I accept that Mr M's circumstances may not have been fully reflected either in the information he provided, or the other information Lending Stream obtained via the credit checks. And Mr M's financial position as he now describes it might well have been apparent if further information – such as bank statements as Mr M says - had been obtained. But Lending Stream could only make its decision based on the information it had available at the time.

It was the start of a lending relationship, and I don't think it was at the stage where there were any indicators that the borrowing might be unsustainable for Mr M, or indeed that he was borrowing to gamble. In these circumstances, I don't think Lending Stream needed to take further steps to complete a fuller financial review. Had Mr M gone on to apply for more loans from Lending Stream I would most likely, at a point in time, have reached a different conclusion.

In addition, a credit check that a lender undertakes can take many forms. Generally, the information a consumer might see, when they request a copy of their credit file, might be very different to that seen by a lender. A lender might only see a small portion of the credit file, or some data might be missing or anonymised, or the data might not be up to date. So, this may explain any differences between the information provided to Lending Stream by its credit check and the information Mr M thinks it should have seen.

Overall, I think that Lending Stream carried out proportionate checks and I haven't seen anything in the information it gathered that I think should have led it to reach different lending decisions, or to ask for more information from Mr M prior to giving the loans.

It follows I don't think Lending Stream was wrong to give either loan to Mr M.

my final decision

My final decision is that I'm not upholding Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 27 July 2020.

Rebecca Connelley
Ombudsman