

The complaint

Mrs G says Gain Credit LLC (trading as Lending Stream) irresponsibly lent to her.

What happened

This complaint is about two instalment loans provided by Lending Stream. A summary of the borrowing, based on information Lending Stream provided us can be found below;

loan number	loan amount	received date	actual repayment date	number of instalments
1	£300	17/11/2013	outstanding	6
2	£100	27/01/2014	outstanding	6

Mrs G was expected to make monthly repayments for each loan. Her largest contractual repayment for loan one was around £162 and her largest repayment due while loans 1 and 2 were running was around £155.

Mrs G has had some repayment problems and Lending Stream sold both of these loans to a third party. Based on what Mrs G has told us a County Court Judgement (CCJ) has been granted for the outstanding balance.

Our adjudicator didn't uphold Mrs G's complaint. He thought that Lending Stream had carried out proportionate checks before these loans were approved, and this led him to conclude that Lending Stream hadn't made an error in approving these loans.

Lending Stream appears to have accepted the adjudicator's view. Mrs G disagreed and said in summary;

- she had other loans in arrears at the time the lending was granted and
- she was a regular user of short-term loans from other lenders.

As no agreement could be reached, the case has been passed to me for a final 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.

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.

Firstly, Mrs G has provided us a copy of a Lending Stream loan agreement from 2011 – suggesting that she had three loans rather than two. Lending Stream has searched its records and has told us that it can't find this earlier loan.

Mrs G has also said she's reviewed her bank statements from 2011 and can't see a deposit from Lending Stream or repayments to it. Therefore, in this decision, I've only considered the two loans that Lending Stream has been able to provide information for.

Secondly, Mrs G has provided detailed testimony about her circumstances and what has happened with regards to the CCJ and the third party who now has responsibility for the outstanding balance. If Mrs G is unhappy with the CCJ and /or the actions of the third party she will need to seek independent advice (if she hasn't already done so) about the best way to address her concerns.

I'm sorry to hear about the problems Mrs G has had, but I want to be clear that this decision will only focus on whether Lending Stream made an error when it granted the two loans detailed above.

Lending Stream needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mrs G could repay the loans 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 (but are not limited to):

- 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 Mrs G could sustainably repay her loans – 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 relevant regulations define 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 Mrs G's complaint but, like the adjudicator, based on what I've seen I don't think Lending Stream made an error by providing these loans.

Lending Stream says it agreed to Mrs G's application after she provided details of her monthly income and expenditure. In addition, Lending Stream has carried out a credit check and has provided us with the results for these loans.

For these loans, I think the checks Lending Stream carried out went far enough. It gathered information about her income (between £1,700 - £2,000). And Mrs G declared outgoings of £350 for loan one and for loan two £700 per month. Based on the repayment amounts Mrs G was committed to making, and the fact it was early on in the lending relationship, I think it was reasonable for Lending Stream to have relied on this information. And importantly, the information it gathered suggested Mrs G was in a position to afford the repayments.

I've also thought about the credit checks Lending Stream carried out. But what is important to note is that the results that a lender may obtain from a credit search may not be the same as someone's credit report that can be downloaded. This is because a lender may only ask to see certain information and / or some of the information on a credit file can take up to 6 weeks to be reported. So the information a lender may see may not be the true and up to date information. But that doesn't mean it isn't entitled to rely on the information it is provided.

In this case, Lending Stream was aware that Mrs G had 9 active accounts when loan one was approved and 11 when loan two was approved. And I'd expect loan one would be one on of the additional two active accounts that Lending Stream knew about when loan 2 was given.

I accept that Lending Stream didn't know what these credit facilities were: they could've been personal loans, credit cards, store cards, mobile phone contracts and possibly payday lending. But I don't think there was anything from this part of the report which indicated Mrs G may have been reliant on short term loans.

Lending Stream was aware of a number of defaults / delinquent accounts, which could've been a cause for concern. But Lending Stream also knew that no defaults had been recorded for close to 18 months (at the time of the first loan) and it was over a year since anything delinquent had been recorded. Overall, there wasn't anything else to suggest that Mrs G had ongoing financial difficulties, or that Lending Stream needed to decline Mrs G's application or carry further checks based on the credit checks alone.

I've also seen evidence that Mrs G was subject to a debt management plan (DMP) at the time the loans were approved – but there wasn't anything in the information that Lending Stream took (either from Mrs G or from the credit report) that suggested she was subject to one. So, I can't reasonably say that Lending Stream ought to have been aware of the DMP.

I accept that Mrs G's actual full financial circumstances were maybe not reflected either in the information she provided, or the other information Lending Stream obtained – such as the credit report. And Mrs G's actual financial position might well have been apparent if further information – such as bank statements or detailed credit checks – had been obtained.

But Lending Stream could only make its decision based on the information it had available at the time. And as it was in the early stages of a lending relationship with Mrs G so I don't think it needed to carry out further checks.

I also don't think it had reached the stage where there was a greater risk of the loan being unsustainable for Mrs G. In these circumstances, I don't think Lending Stream needed to take further steps to verify the information she had provided.

I am therefore not upholding Mrs G's complaint. I appreciate this will be very disappointing for Mrs G. But I hope that she'll at least feel her concerns have been listened to.

My final decision

My final decision is that I'm not upholding Mrs G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G to accept or reject my decision before 18 November 2020.

Robert Walker
Ombudsman