

The complaint

Miss H complains that Gain Credit LLC (trading as Lending Stream) was irresponsible to lend to her.

What happened

Miss H took out a £300 loan with Lending Stream on 26 May 2014. It was due to be repaid with six instalments, finishing on 1 December 2014.

Miss H says Lending Stream did not adequately check her financial history before it lent to her. She says she had several other short-term loans at the time as well as credit cards, an overdraft and a loan, all due to her gambling addiction. Miss H says that Lending Stream did not freeze interest and charges on the loan when she told it she was in financial difficulties and has yet to respond to her complaint. She adds that she ended up in a debt management plan and the situation had a severe effect on her mental health.

Lending Stream says it asked Miss H about her income and expenditure and checked her credit file. It says the checks showed she had an acceptable credit rating and that the repayments were affordable.

Our adjudicator did not recommend the complaint should be upheld. She was satisfied Lending Stream carried out proportionate checks and there was nothing in the available information to indicate Miss H was struggling to manage her money.

Mrs H, Miss H's mother, responded on Miss H's behalf, to say that Miss H already had loans totalling over £11,000 with five other short-term loan companies at the time, plus further debt of £18,599 with her bank. She says Lending Stream cannot have carried out an adequate check of her credit file and the loan was unaffordable, and Lending Stream was irresponsible, based on guidance provided by a debt management charity. Mrs H adds that clearly her daughter was vulnerable given her gambling addiction and should never have been approved for the loan.

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. In practice this means that it should have carried out proportionate checks to make sure

Miss H 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:

- the *lower* a customer'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).

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

When Miss H applied for the loan with Lending Stream, I've seen evidence to show that it asked her about her income and expenditure and carried out a credit check. Miss H said her monthly income was £1,384, with expenditure of £340. The results of Lending Stream's credit check showed Miss H had a credit score of 790, with no defaults or delinquent accounts. I'm satisfied, in the circumstances of the lending, that these checks were proportionate. I say that because:

- This was Miss H's first loan with Lending Stream;
- The highest monthly repayment due was less than 12% of Miss H's declared income;
- Her declared disposable income, at over £1,000, indicated the repayments were affordable;
- There was nothing in the credit file that suggested Miss H was struggling financially, or that Lending Stream needed to carry out further checks.

At this stage in the lending I consider Lending Stream was entitled to rely on the information provided by Miss H as there was nothing to indicate her financial circumstances were significantly different. I acknowledge Mrs H says her daughter had multiple short-term loans at the time, which made the loan unaffordable, but I don't find it would have been proportionate for Lending Stream to carry out the level of financial review that would have been required to show this additional borrowing.

Finally, I accept Miss H's gambling addiction meant she was in a vulnerable position when it came to borrowing money and, as such, Lending Stream had a duty to take these circumstances into account. However, I've seen no evidence that Lending Stream was made

aware of Miss H's addiction before it made its lending decision, so I can't conclude it should have done anything differently. However, I've seen evidence to show Lending Stream did freeze interest and charges when Miss H told it she was in financial difficulties and in a debt management plan. I consider it acted fairly and reasonably in that regard.

In summary, although I accept what Mrs H says about her daughter's circumstances at the time of the loan, and the devastating effect this had on her mental health, I find that Lending Stream's checks were proportionate and that there was nothing in the available information to indicate that Lending Stream acted irresponsibly by approving it.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 23 February 2021.

Amanda Williams

Ombudsman