

The complaint

Mr T says Gain Credit LLC trading as Lending Stream hasn't administered a refund of interest and charges correctly. Mr T would like this paid to him directly rather than it being used to reduce his outstanding balance.

What happened

Mr T borrowed four instalment loans from Lending Stream between December 2017 and March 2018.

Lending Stream contacted Mr T as part of a review of its lending practices. It said that it didn't follow its usual processes when it approved the first loan. Because of this it said it would refund the interest and charges he paid on this loan (plus interest) and remove any negative information about it from his credit file.

Lending Stream went on to say that Mr T hadn't fully repaid the capital he borrowed on loans 3 and 4. Because of this Lending Stream said it would reduce the outstanding balance Mr T owed on loans 3 and 4 by the refund it thought he should receive for loan 1.

Mr T doesn't agree with this. He thinks that he should be paid the refund directly rather than it being used to reduce what he owes.

Our adjudicator didn't uphold the complaint. He said that Lending Stream had calculated and applied the refund of interest in the same way the Financial Ombudsman Service would have recommended if it had upheld a complaint about irresponsible lending. So, he didn't recommend that Lending Stream should do anything different.

Mr T requested that his complaint was considered by an ombudsman. The complaint has been 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.

Mr T hasn't made a complaint about irresponsible lending. So, I haven't considered if any of the lending was lent responsibly or not. I've only considered the complaint Mr T has made about how Lending Stream has processed the refund of interest it says Mr T is due under its business review.

But as our adjudicator said, if I were to uphold a complaint about irresponsible lending I would make a compensation award on the same basis that Lending Stream has offered to refund interest as part of the review it has made.

This is because a compensation award should put a consumer, as far as possible, back in the position they would be in had Lending Stream acted correctly. So, any interest and

charges that Mr T has paid, when a loan shouldn't have been approved, should be returned to him.

But Mr T should also repay any outstanding capital amounts owed as he shouldn't have received these. So, it is fair that any compensation is used to firstly repay any outstanding capital amounts. Which is what is happening here.

So I think it is reasonable, in this case that the refund is used to reduce the amount Mr T owes. And I don't think Mr T should be paid this money directly.

My final decision

For the reasons set out above, I don't uphold Mr T's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 3 September 2021.

Andy Burlinson
Ombudsman