

The complaint

Mr R complains that Gain Credit LLC (trading as Lending Stream) was irresponsible to lend to him.

What happened

Mr R took out a £450 loan with Lending Stream on 10 October 2017. It was due to be repaid with 6 monthly instalments, the highest of which was £198, with the last payment due on 29 March 2018.

Mr R says Lending Stream did not adequately check his credit file before it lent to him. He says he had been struggling with debt since 2016 due to being out of work and a change in his relationship status. He says he had credit card repayments to make, an overdraft and other loans and felt he had no option other than to borrow again to pay the interest on these existing debts. Mr R adds that he was in a debt spiral and that if Lending Stream had done better checks it would have seen he was not in a position to repay the loan.

As a result, Mr R says, he entered into a debt management plan and, despite making repayments since then, he still owed Lending Stream more than the initial loan by January 2021. He says the situation has had a negative effect on his credit score and has contributed to mental health issues.

Lending Stream says it asked Mr R about his income and expenditure and checked his credit file. It says it compared the figures with statistical averages and adjusted them if required. Lending Stream says the checks showed Mr R had sufficient disposable income to afford the repayments.

Our adjudicator did not recommend the complaint should be upheld. He was satisfied Lending Stream carried out proportionate checks and there was nothing in the available information to indicate Mr R was struggling to manage his money.

Mr R responded to say, in summary, that whilst he recognised he was naïve to have applied for the loan given his circumstances, he felt Lending Stream took advantage of him. Mr R questioned whether Lending Stream did any sort of credit check as, he said, at that time he had over £25,000 of unsecured debt with defaults and late payments. He adds that he could not understand how Lending Stream had determined the repayments were affordable, given he was forced into a debt management plan shortly afterwards. Finally, Mr R says the loan has now been sold to a third party who is offering him a reduced settlement figure.

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 Mr R 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 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 during which a customer has been lent money (reflecting a 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 Mr R's complaint.

When Mr R applied for the loan with Lending Stream, I can see it asked him about his income and expenditure. Mr R said his monthly income was £2,000, with expenditure of £850. I'm satisfied, in the circumstances of the lending, that these checks were proportionate. I say that because:

- This was Mr R's first loan with Lending Stream;
- The highest monthly repayment due was less than 10% of Mr R's declared income;
- Mr R said he spent £175 per month on other credit;
- Lending Stream calculated his disposable income to be £1,150 per month, indicating the repayments were affordable.

However, Lending Stream did also carry out a basic credit check which showed:

- An Experian score of 660;
- No defaulted accounts;
- 8 active accounts, of which one showed late payments in the previous month;
- Unsecured credit of £11,800;
- A mortgage account of £131,000.

Given the nature of short-term lending, and the risk profile of a typical borrower, I can't conclude that Lending Stream should have declined Mr R's loan application on the basis of the checks it carried out. At this stage in the lending I consider Lending Stream was entitled to rely on the information provided by Mr R as there was nothing to indicate his financial circumstances were significantly different.

I acknowledge Mr R says he had multiple other debts 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 understand the loan has now been sold to a third party. Lending Stream is entitled to do this, and the debt collection agency is also entitled to offer a reduced settlement if it so chooses.

In summary, 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 the loan.

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 Mr R to accept or reject my decision before 18 August 2021.

Amanda Williams

Ombudsman