

The complaint

Mr M complains that Gain Credit LLC, trading as Lending Stream, lent to him irresponsibly.

What happened

Using information from Lending Stream's records, here is a brief table of approved loans.

<i>loan</i>	<i>date taken</i>	<i>date repaid</i>	<i>amount borrowed</i>	<i>term</i>	<i>highest repayment</i>
1	08/10/2017	03/11/2017	£400	6m	£176.00
2	05/11/2017	31/01/2019	£1,100	6m	£475.20

Mr M has said that if Lending Stream '*...had undertaken their due diligence they would have seen the amount of pay day loans I had outstanding and taken out in the prior months and seen that it was immoral to approve me for another loan let alone two within a few months of each other.*'

One of our adjudicators looked at the complaint and did not consider that Lending Stream needed to have done more before lending to Mr M. He did not agree and sent reasons as to why. Our adjudicator reviewed the complaint and did not change her view.

The complaint remained unresolved and was passed to me to decide.

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

Lending Stream needed to take reasonable steps to ensure that it did not lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mr M could repay the loans in a sustainable manner. These checks could include several different things, such as how much was being lent, the repayment amounts and the consumer's income and expenditure.

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:

- having a low 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 amounts to be repaid being especially high (reflecting that it could be more difficult to meet a higher repayment from a level of income);
- having many loans and/or having these loans over a long period of time (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable);
- coming back for loans shortly after previous borrowing had been repaid (also suggestive of the borrowing becoming unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable, but I do not think this was applicable in Mr M's circumstances as there's unlikely to be a pattern of lending with two loans.

Lending Stream was required to establish whether Mr M could sustainably repay his loans – not just whether the loan payments were affordable on a strict pounds and pence calculation.

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 the ability to repay without undue difficulties. The customer should be able to make repayments on time, while meeting other reasonable commitments, and 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 will not be able to make their repayments sustainably if they need to borrow further in order to do that.

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

Lending Stream has shared with us the details Mr M gave it when he applied for the loans, the credit search it carried out before approving loan 2 (it did not carry one out for loan 1 and was not obliged to do so), the credit agreements, statements of account and some correspondence relating to the arrears.

Mr M has sent to us a copy of his personal credit file created February 2021 which covers the lending period I am reviewing. Mr M sent to us some copy bank statements and some correspondence with Lending Stream about his complaint.

Mr M has made it very clear why he thinks that Lending Stream was wrong to approve both loans: he says that his credit history and gambling problem at the time meant that proper checks carried out by Lending Stream would have revealed these.

Loan 1

At the time of the application for Loan 1, Mr M informed Lending Stream that he earned £2,450 each month and his outgoings were £740. Mr M was a new customer and as I have explained earlier, the proportionate checks I would have expected for this loan were carried out.

The loan application was for £500, and Lending Stream approved £400 over six months during which the highest instalment sum would have been around £176. The figures Lending Stream had indicated that Mr M was able to afford this. Mr M repaid the loan very early.

Loan 2

Mr M said at the time, that he earned £2,450 each month and his outgoings were £675. Lending Stream would have noted that Mr M had repaid Loan 1 early and that would have looked as though he had found the debt easy to manage. It did carry out a credit search and the results showed Mr M had nine active accounts which can mean any type of account. According to the search Mr M had one delinquent account within the last 12 months. No defaults appeared in Lending Stream's credit search.

I have reviewed Mr M's credit file and any defaulted accounts showing happened after Mr M had taken loan 2 and so would have been irrelevant to decisions made about approving loan 2. Some accounts showing on Mr M's credit file report were obtained after 2017 and so would have been irrelevant. Other accounts show as having been paid or with little or no concerns on repayments. One credit card with a credit limit of £200 at that time, showed late payments and/or early arrears in November 2017. But this would not likely have caused any concern to Lending Stream.

Mr M had applied for £1,500 and it approved £1,100 repayable over six months. I do not consider that to have been irresponsible lending as Lending Stream carried out proportionate checks.

I have already explained that in the early stages of a lending relationship, we would not interpret the regulations to mean that Lending Stream had to have done extensive checks. And to expect Lending Stream to have asked for Mr M's copy bank statements to review for loans 1 or loan 2 would have been disproportionate. Lending Stream would not have seen the betting and gaming transactions Mr M referred to, or failed payments or unarranged overdraft usage.

I appreciate that Mr M feels strongly that this is what Lending Stream should have done, but my view is that Lending Stream carried out the checks proportionate to the amounts applied for, within the context of the lending relationship and considering the information Mr M had given to Lending Stream when asking for the credit. I do not think it needed to do more.

My final decision

My final decision is that I do not uphold 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 1 September 2021.

Rachael Williams
Ombudsman