

The complaint

Miss A complained that Gain Credit LLC (trading as 'Lending Stream') provided her with unaffordable loans.

What happened

Miss A complained about loans she took out with Lending Stream as follows:

loan	start date	date repaid	instalments	loan amount	highest instalment amount
1	7/2/2018	2/3/2018	24 weekly	£470	£58.59
2	3/3/2018	6/3/2018	24 weekly	£200	£27.60
3	6/3/2018	31/8/2018	COMPLAINT	UPHELD	BY LENDER
	GAP	IN	LENDING		
4	24/6/2019	28/11/2020	6 monthly	£400	£140.01

When Miss A complained to Lending Stream, it didn't agree that it had done anything wrong when it provided loans 1, 2 and 4. But Lending Stream agreed to uphold her complaint about loan 3. So it worked out what payment was due to Miss A and then used this to reduce the balance she still owed on loan 4.

This left £107.42 owing – which Miss A paid on 28th November 2020.

Miss A wasn't happy with this outcome so she brought her complaint to this service. She told us that Lending Stream hadn't dealt with her complaint about unaffordable lending in the way she had hoped – in particular, it had previously made another settlement offer which reduced the balance on loan 4 and she said she didn't understand how it had worked out that she still needed to pay £107.42 to close her account at Lending Stream.

One of our adjudicators reviewed what Miss A and Lending Stream told us about these loans.

Overall, taking into account the loan amounts, what was apparent about Miss A's circumstances at the time and her history with the lender, our adjudicator didn't think it would've been proportionate for Lending Stream to ask Miss A for the amount of information needed to show the lending was unsustainable.

Our adjudicator didn't think there was any reason why Lending Stream should've been prompted to check what Miss A had said about her financial situation. And our adjudicator didn't think that the number of loans Miss A had taken out, the amounts she'd borrowed or the length of time she'd been borrowing from Lending Stream should've alerted Lending

Stream to think she was having money problems. So our adjudicator didn't uphold Miss A's complaint.

Miss A disagreed and asked for an ombudsman to look at her complaint.

Miss A mainly said that Lending Stream had sent previous emails offering a loan discount which it did not stick to, it then paid redress which it used to pay loan 4 and she had to pay the rest which she felt was unfair.

The complaint came to me to decide. I issued a provisional decision.

What I said in my provisional decision

Here are some of the main things I said.

"Lending Stream provided Miss A with high-interest loans intended for short-term use. So it needed to make sure that it didn't provide them irresponsibly.

Lending Stream was required to carry out proportionate checks to be able to understand whether any lending was sustainable for Miss A before providing it. Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify that information – in the early stages of a lending relationship. But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high.

And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

Having carefully thought about everything I've seen and been told, I'm not upholding Miss A's complaint. Here's why I say this.

Lending Stream has already upheld Miss A's complaint about loan 3 and taken all the steps we would expect it to do to put things right in relation to that loan. This includes refunding everything Miss A paid towards loan 3 over and above the principal loan amount, plus interest. Lending Stream also said it would remove adverse information about the loan from her credit file. We wouldn't ask Lending Stream to do anything more than this if we had upheld the complaint. So, I'm going to concentrate on her other loans.

Lending Stream says it agreed to Miss A's applications after checking the loans were affordable. This included asking Miss A to declare her income and tell Lending Stream what she spent on other monthly outgoings such as housing costs, food, household bills, transport and other payments. Lending Stream also asked Miss A about any other credit expenses and did its own credit checks.

Lending Stream says the information it gathered about Miss A showed that these loans should've been affordable for her - and in these circumstances it was reasonable to lend.

I've looked at each loan in turn.

loan 1

I don't think Lending Stream was wrong to lend Miss A loan 1. The affordability assessment Lending Stream carried out suggested that she was well able to afford this borrowing. There wasn't anything shown in the checks Lending Stream did that suggested otherwise. At this

early stage, Miss A didn't have any track record with the lender that should've alerted Lending Stream to any underlying money problems. And I can't see that there was anything in the information Miss A provided or the information Lending Stream should've been aware of, which meant that Lending Stream should've taken steps to verify the information Miss A had declared. So I don't uphold Miss A's complaint about loan 1.

loan 2

Miss A took out the second loan around the same time she paid loan 1, but she borrowed less money this time. So I don't think that the fact she took out the loan straight after paying loan 1 early was enough to make Lending Stream think that it shouldn't have kept lending to Miss A.

Lending Stream asked Miss A to update the information she provided about her finances each time she applied for a new loan. The loan repayments still looked to be affordable for Miss A – even after Lending Stream increased the amount it thought Miss A would be likely to spend. There wasn't anything to indicate to Lending Stream that Miss A had found it hard to manage the bigger repayments for loan 1 – or that paying for this loan was likely to become a problem. The credit checks Lending Stream did didn't appear to indicate she had any serious money problems. So I don't feel I've seen enough to be able to uphold Miss A's complaint about loan 2.

loan 4

By the time Miss A applied for loan 4 Lending Stream was aware that she had experienced problems making her repayments on loan 3. But that had been around a year or so earlier. And Miss A hadn't taken out any new borrowing with Lending Stream in the 10 months or so since she had successfully repaid loan 3. So, on balance, I think it's fair to say that Lending Stream was reasonably entitled to think that Miss A might've put her finances back in order. And so it wasn't unreasonable for Lending Stream to treat this application as the start of a new period of borrowing and effectively think about this as the first loan after she had made a fresh start.

Although Miss A has mentioned that she was unfortunately made redundant on 13 June 2019, it appears that she told Lending Stream she was still in the same job she had been when her earlier loans were taken out. And Lending Stream told us it independently checked what Miss A said about her employment and had no reason to think this information wasn't reliable. As a result of its checks, Lending Stream downgraded the amount of pay it thought she would be able to rely on. Given that Miss A hadn't mentioned that she wasn't going to be able to rely on being in work or getting paid after losing her job, it wasn't unreasonable for Lending Stream to continue to assume that she would be in work and getting the pay its independent check indicated.

I take Miss A's point that if Lending Stream had done more checks it could've found out what her job situation was. But the rules don't say exactly what checks a lender needs to do – only that they should be 'proportionate'.

Broadly speaking, in the particular circumstances here, I think that the checks Lending Stream did when assessing Miss A's income were proportionate. So the fact that Lending Stream didn't find out that Miss A wasn't working wouldn't be a fair reason for me to uphold her complaint.

Lending Stream boosted the figure Miss A had declared for her regular monthly outgoings to allow for additional spending she might not have accounted for. And even after doing this, the loan repayments she was signing up to make on loan 4 still looked like they should be affordable out of Miss A's disposable income - which Lending Stream worked out would be

around £766. This meant, it *appeared* that Miss A would still be left with £633 or so spare cash left *after* paying for loan 4.

Looking at the results of the credit checks Lending Stream carried out when Miss A applied for loan 4, I can't see that this information disclosed anything that would've been of concern to a responsible lender.

So to my mind, although Miss A soon ran into problems paying for this loan, at the time it was agreed I think *it looked like* the loan would be comfortably affordable for her on the figures she'd declared. And I don't think there was anything in the information that Lending Stream had recorded for Miss A, or anything else that it should've been aware of, which would've caused Lending Stream to think this loan wasn't affordable for Miss A when she took it out.

I think it's reasonable to say that Lending Stream was entitled to decide Miss A's lending application based on the information it had available at the time. And its lending decision doesn't seem unreasonable to me looking at the information it relied on when deciding whether to provide this loan.

I accept that in reality Miss A's financial situation wasn't fully reflected either in the information she provided, or the other information Lending Stream says it obtained. But in order to uphold this complaint I have to be able to say a lender did something wrong. And, in this case, I don't think that Lending Stream did anything wrong in deciding to lend to Miss A. So this is why I'm not planning on upholding her irresponsible/unaffordable lending complaint.

I've also thought carefully about whether Lending Stream acted towards Miss A in any other way that wasn't fair and reasonable, bearing in mind her particular concern about the way it worked out and applied the redress it paid in respect of loan 3.

Lending Stream made an offer to Miss A in respect of discounting loan 4 if she was able to pay £560 by 30th November 2020. Around the same time it also sent its final response letter about her complaint and said it was upholding her complaint about loan 3 – and it would pay redress to reduce the balance on loan 4.

Miss A then had an email exchange with Lending Stream in response to its offer to uphold loan 3 whilst she was still in time to take up its offer to discount loan 4.

I can see why it was confusing when Lending Stream decided to uphold her complaint about loan 3 and use the redress it worked out to clear the outstanding balance on loan 4 – without making any further reference to its earlier offer.

But broadly speaking, when Lending Stream decided to uphold Miss A's complaint about loan 3, I don't think it was unreasonable for it to apply the redress in the way it did, without first amending the loan 4 balance to reflect the discount it had offered for early settlement.

I say this because it doesn't look likely to me that Miss A was going to be in a position to benefit from the discount offer – she told us that she didn't get paid *until* 30th November so she wasn't able to take advantage of the offer before the expiry deadline. I've also looked at the bank statements that Miss A has sent me, which have given me an insight into how she was spending her money and her likely financial situation.

Having done so, I can't fairly say that I've seen enough to make me think that there was any reasonable likelihood that Miss A was going to be able to pay £560 and so be able to benefit from a discounted settlement figure. In saying this, I'm making some reasonable

assumptions based on the information I've seen so far. I will, of course, reconsider what I've said if Miss A sends me bank statements for the period around August – November 2020 that show me something different.

To sum up, I think Lending Stream was entitled to use the redress it worked out to reduce the balance owing to it on loan 4. I can't fairly say that Lending Stream should have applied the discount offer to the loan balance before working things out. That's because Miss A hadn't paid the £560 requested to enable it to do that and I don't have any reason to think that she was in a financial position to take up that offer in any event.

I appreciate that what I've said in my provisional decision will be disappointing for Miss A. But I hope that setting things out as I've done helps explain how I've reached this conclusion and reassures her that all her complaint points have been fully considered."

What the parties said in response to my provisional decision

Miss A sent me her bank statements for the period August-November 2020.

Lending Stream said it would await my 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.

I'm grateful to Miss A for the time and trouble she has taken to send me the additional information I said in my provisional decision that I would consider if it was made available. I would like to assure her that I've taken into account everything that she has sent me. In particular, I've thought carefully about her comment that as the discounted settlement figure was due to expire on the 30th November, the bank statement proves that she would have paid the discounted amount.

From looking through the bank statements, I don't know if Miss A was in a position to pay the £560 she would've needed when she received Lending Stream's email sent on 3 November 2020 outlining the offer of "*the chance to settle your loan(s) at a reduced price before 30th November.*"

But I think it's fair to note that over the course of the next six days Miss A spent more than the £560 she needed to pay to settle the loan early on what appear to be online gambling transactions.

I can see from the bank statements that Miss A has sent in response to my provisional decision that she took out another high cost loan and this money, plus some gambling wins, put her account sufficiently in credit for her to have easily been able to afford the £560 she needed to pay by 30th November in order to take advantage of Lending Stream's discount offer. As far as I can see, she had ample funds in the account to send this money to Lending Stream in good time before the deadline – she wasn't dependent by this time on waiting for her pay to go into her account.

The fluctuating balance in Miss A's account meant she wasn't always in a position to afford to pay £560 to Lending Stream. But Miss A didn't take advantage of the discount offer when I think she could've done had she wanted to, because she chose instead to use the money

in her account for other purposes, including further non-essential spending. All this makes me think that I can't fairly say that Lending Stream is responsible for her losing out on the discount offer – so it wouldn't be fair and reasonable for me to uphold this part of her complaint.

After taking carefully into account everything that's been said in response to my provisional decision, and as no further information has been received in response to my provisional decision that changes what I think about this case, I still think it's fair not to uphold this complaint. But I hope that setting things out as I've done helps explain how I've come to my view.

My final decision

For these reasons, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 18 August 2021.

Susan Webb
Ombudsman