

The complaint

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

What happened

Miss V complained about four instalment loans she took out with Lending Stream. Here's a table showing the main loan details:

Loan No:	Date Taken	Date Repaid	Monthly Instalments	Loan Amount	Highest Total Monthly Repayment
1	4/9/2019	10/3/2020	6	£400	£130.63
2	17/10/2019	Outstanding	6	£440	£131.91
3	9/12/2019	Outstanding	6	£310	£98.17
4	7/1/2020	10/03/2020	6	£160	£51.10

When Miss V complained to Lending Stream it made an offer in respect of loan 4 but didn't feel it had done anything wrong when it provided loans 1-3.

Miss V didn't feel this response went far enough so she brought her complaint to us. One of our adjudicators reviewed what Miss V and Lending Stream told us about these loans.

Our adjudicator concentrated on looking at the loans that Lending Stream hadn't upheld. After carefully considering the loan amounts, what was apparent about Miss V's circumstances at the time and her history with the lender, our adjudicator didn't recommend upholding Miss V's complaint about loans 1-3

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

Miss V mainly said that if Lending Stream had checked her credit file it should have been evident that she had 5 credit cards all maxed out, 2 personal loans and payday lending with another company and it shouldn't have just based its affordability check on the expenditure she had stated and any information that wasn't verified.

Miss V said Lending Stream should have been concerned about whether she would be able to repay these loans on time.

She believes the lending decisions were made based solely on her disposable income and without thinking about other factors such as her debt or recognising that the frequent nature of her borrowing could have been a sign that she was having financial difficulties.

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 and I've used this approach to help me decide this complaint.

Having carefully thought about everything, I am not upholding Miss V's complaint for broadly the same reasons as our adjudicator but I'll explain my reasons in a bit more detail which I hope will help Miss V understand why I've reached this conclusion.

As Lending Stream has already agreed to refund all interest and charges in relation to loan 4 and to amend Miss V's credit file in line with what we would expect a lender to do in these circumstances, I haven't considered this loan further. Lending Stream has said it will do everything that we would tell it to do if we upheld the complaint about loan 4 – so there's nothing further for us to do in this situation. If Miss V hasn't yet done so and she would like to take up this offer (which I understand Lending Stream has confirmed is still open to her to accept) then she should contact Lending Stream direct to make the arrangements.

Like our adjudicator, I will focus on loans 1, 2 and 3.

Lending Stream provided Miss V 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 V 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.

Lending Stream says it agreed to Miss V's applications after carrying out proper and proportionate affordability checks. This included asking Miss V to declare her income (which it took steps to check) and to tell Lending Stream what she spent on other monthly outgoings such as rent, food, household bills and other payments. Lending Stream compared the information Miss V provided against national averages and adjusted the figures she provided accordingly to ensure that as far as possible it relied on information that was likely reflect her actual financial situation as realistically as possible.

Lending Stream also asked Miss V about any other credit expenses and did its own credit checks to gain an understanding of Miss V's credit history and find out about her current credit commitments.

Lending Stream says the information it gathered about Miss V showed that loans 1-3 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

As this was Miss V's first loan with Lending Stream I think Lending Stream was reasonably entitled to rely on the information Miss V provided in the absence of any contradictory information. The information it gathered at the time suggested that she was well able to afford this borrowing.

There wasn't anything else shown in the checks Lending Stream did that suggested otherwise. At this early stage, Miss V 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 V 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 V had declared.

So I don't uphold Miss V's complaint about loan 1.

loan 2

Miss V took out the second loan the following month when she was still paying loan 1 – and effectively more than doubled the amount of her outstanding borrowing with Lending Stream. But I don't think that was enough of a reason to make Lending Stream think that it shouldn't have provided this loan given that the total amount owing wasn't excessive relative to Miss V's overall financial situation.

Lending Stream asked Miss V to update the information she provided about her finances each time she applied for a new loan and the loan repayments still looked to be affordable for Miss V. The credit checks Lending Stream acquired didn't highlight anything adverse that should've put off a responsible lender from lending or make it think it needed more information before providing any further credit. There wasn't anything at that stage to indicate to Lending Stream that Miss V had found it hard to manage the loan repayments for loan 1 – or that paying for this loan was likely to become a problem.

So I don't feel I've seen enough to be able to uphold Miss V's complaint about loan 2.

loan 3

I think that Lending Stream ought to have done more in-depth checks before providing loan 3. This was the second time that Miss V had applied for more money without having repaid previous loans she had taken out. So I think Lending Stream ought to have taken steps to verify what Miss V was saying about her financial circumstances to make sure it properly understood her financial situation before agreeing this loan. Lending Stream hasn't shown me it did this. So I can't fairly say that it carried out a proportionate check before agreeing to lend to Miss V on this occasion.

But that isn't enough of a reason on its own for me to be able to uphold this complaint. In order to uphold Miss V's complaint, I would need to be able to say that if Lending Stream had done a proportionate check before lending it would likely have found out information that would've made it realise that the loan wasn't likely to be sustainably affordable for her. So I've looked at what I think a proportionate check is likely to have revealed at the time.

To help me understand Miss V's circumstances when she took out loan 3, I've looked at a credit report and bank statements that she has sent us. I think these give a useful insight into her overall finances at the time.

But, I still haven't seen enough overall in the information available to me which shows Lending Stream should have decided not to agree this loan had it done so. I can see Miss V's finances were showing some signs of potentially becoming over-stretched – her current account was overdrawn and some debits were being returned unpaid despite the fact that she had taken some other loans. It was also apparent that she was typically spending several hundred pounds on gambling each month. But I don't think overall that the picture painted is one of compulsive gambling spending or such serious financial difficulty that a responsible lender ought to have recognised that loan 3 wasn't likely to be sustainably affordable. And I can't see that Miss V gave Lending Stream any indication that her finances were causing her serious money problems during her application for loan 3.

I've taken into account everything Miss V has said, including her comments sent in response to our adjudicator's opinion. But for loans 1-2, I think it's reasonable to say that Lending Stream was entitled to decide Miss V's lending applications based on the information it had available at the time. And its lending decisions don't seem unreasonable to me looking at the information it relied on when deciding whether to provide these loans. And by the time she took out loan 3, although I don't think the lenders checks went far enough, I haven't seen enough to make me think that a proportionate check, if done at the time, would've revealed enough to suggest to Lending Stream that this loan was unlikely to be sustainably affordable for Miss V and so it shouldn't have provided it.

I accept that in reality Miss V's financial situation possibly 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, ultimately I don't think that Lending Stream did anything wrong in deciding to lend to Miss V when it provided loans 1-3.

I appreciate that this isn't the outcome that Miss V has been hoping for – but I hope that setting out the reasons as I've done will help explain how I've reached my decision.

My final decision

For the reasons I've given, I don't uphold Miss V's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss V to accept or reject my decision before 29 April 2022.

Susan Webb
Ombudsman