

The complaint

Mr C has complained that Gain Credit LLC (trading as Lending Stream) allowed a fraudulent account to be opened in his name.

What happened

In late 2017, a small short-term loan was taken out in Mr C's name. Lending Stream received no repayments. They wrote to Mr C a number of times over the following months, but got no reply. They defaulted the account and sold it on.

In late 2021, Mr C complained. He explained this wasn't his loan and he hadn't received the letters. He explained it had put a lot of strain on him and caused him trouble with credit. Lending Stream investigated and agreed the loan was fraudulent. They bought back the account and wrote it off.

Our investigator looked into things independently and upheld the complaint in part. They explained that Lending Stream had done appropriate checks at the time the loan was applied for, and didn't have good reason to doubt it was genuine. And they found Lending Stream had investigated things quickly when Mr C reported the fraud. But they could see there'd been a delay in removing the default from Mr C's credit file. They recommended Lending Stream pay him £200 compensation.

Both parties appealed. Lending Stream felt £200 compensation was too much, and offered £50 instead. Mr C felt Lending Stream had been negligent, and he wanted to stop this happening to anyone else.

The complaint's been 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.

Firstly, I will say that I appreciate Mr C has been the victim of a crime, and he has my sympathy. He's been through a truly tough time, and I can completely understand his strength of feeling and why he's brought the case to us. I appreciate that the fraudster has caused him a great deal of trouble and upset.

I also understand Mr C's points around Lending Stream granting a loan to the wrong person. I should explain that we expect a business' checks to be proportionate to the lending. So for example, the checks for a large, long-term, secured mortgage would normally be more involved than for a small, short-term, unsecured loan like this.

In this particular case, I think the checks that Lending Stream did were broadly appropriate considering the nature of the loan. The fraudster had Mr C's correct details on hand and was able to make it look like it was him applying. And Lending Stream checked things with a credit reference agency. It doesn't look like Lending Stream had sufficient reason to think this was fraud at the time.

So as far as Lending Stream knew back then, this was a legitimate debt of Mr C's which they had legitimate reason to pursue him for and to register on his credit file.

Further, while I understand Mr C doesn't recall receiving any of Lending Stream's letters, I can see they were sent to the correct address at the time, back before Mr C moved.

Of course, once Lending Stream were made aware of the fraud, I'd expect them to act promptly and look into this. But here, they got back to Mr C and investigated things really quite quickly.

I do understand that Mr C is unhappy with Lending Stream's setup in general, and I can certainly appreciate that he wants to stop this happening to other people. I should explain that it's the regulator – the Financial Conduct Authority (FCA for short) – who look at the overall way businesses work and who regulate their processes. I'm not best placed to comment on the way Lending Stream work as a whole, and I can't change their general setup; I'm only able to look at complaints about individual situations.

Here, I can see that there's been a significant delay in getting this loan's default removed from Mr C's credit file. I understand this has added extra trouble and upset for Mr C in what was already a very stressful situation.

When a business gets things wrong, we often tell them to pay compensation – to acknowledge their mistakes and the impact they had. When it comes to the amount of compensation, it's worth bearing in mind that the actions of the fraudster, rather than Lending Stream, will have been primarily responsible for what happened here. It's also worth keeping in mind that we're not here to punish businesses or to issue large fines – again, that would be something for the regulator to consider. We have guidelines about what levels of compensation to award, and I need to be consistent with those. Taking everything into account, I agree with our investigator that £200 compensation is fair in this case.

Putting things right

Gain Credit LLC should:

- Make sure there are no entries or markers for this account on Mr C's credit file, including the default; and-
- Pay Mr C £200 compensation for the trouble and upset they caused.

My final decision

For the reasons I've explained, I uphold Mr C's complaint in part, and direct Gain Credit LLC to put things right by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 23 June 2022.

Adam Charles
Ombudsman