

## The complaint

Mrs M complains that the loans she had from Gain Credit LLC (trading as Lending Stream) were unaffordable.

## What happened

Mrs M had two loans from Lending Stream between July 2012 and October 2012 as shown below:

<u>Loan</u>	<u>Date</u>	<u>Amount</u>	<u>Term</u>	<u>Max Monthly Repayment*</u>	<u>Due</u>	<u>Repaid</u>
1	23 July 2012	£100	5m	£55.00	30 Nov 2012	Sold to DCA**
2	9 Oct 2012	£375	6m	£220.00	28 Mar 2013	Sold to DCA**

\* Including overlapping loans

\*\* Debt Collection Agency

Mrs M says Lending Stream approved the loans when she wasn't working as she was on maternity leave. She says it's left her in considerable debt and negatively impacted her credit record.

Lending Stream says it asked Mrs M about her income and expenditure and reviewed her credit file. It says it found the figures were reasonable and it was satisfied its checks showed Mrs M had enough disposable income to afford the repayments.

Our adjudicator did not recommend the complaint should be upheld. Although he considered Lending Stream should have carried out better checks for loan 2, he did not find anything in the available information to indicate the repayments were unaffordable for Mrs M.

Mrs M responded with information about repayment difficulties and her bank statements. She says if Lending Stream had carried out better checks it wouldn't have approved the loans.

## My provisional findings

I issued a provisional decision to Mrs M and to Lending Stream on 9 May 2022. I've summarised my findings:

- For loan 1, I was satisfied Lending Stream carried out proportionate checks and that it was reasonable to conclude the loan was affordable;
- For loan 2, however, I was not satisfied Lending Stream's checks went far enough because:
  - Mrs M was asking for significantly more money over a longer term;
  - Her maximum monthly repayment was now over 16% of her income;
  - Loan 1 was still outstanding;
  - Mrs M had already had difficulties making the repayments on time for loan 1;
  - Her credit file was showing a worsening picture:
    - She had four defaulted accounts – the most recent being in March 2012;
    - She had seven delinquent accounts from as recently as the previous month;
    - The total debt on her active accounts had more than doubled since loan 1;
    - Her credit score had declined by 87 points between the two checks.
- So I had a look at Mrs M's bank statements from the time as a reasonable proxy for what proportionate checks might have shown for loan 2:
  - Although I could see Mrs M's income was roughly in line with what she'd declared, this appeared to be from benefits, rather than employment income;
  - Her regular expenditure was significantly higher than the £850 she'd declared and meant she was spending practically all her income each month;
  - Mrs M had multiple direct debits returned unpaid in the lead up to loan 2;
  - She was being charged £100 per month for her overdraft and unpaid direct debits.

I was satisfied, therefore, that proportionate checks would have indicated Mrs M was already struggling to manage her money, the repayments were unaffordable, and that further lending was unsustainable.

So my provisional decision was that I upheld Mrs M's complaint about loan 2.

Lending Stream responded to accept my provisional decision.

Mrs M did not respond to the provisional 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.

As Lending Stream accepted my provisional decision and neither party provided any additional information, I see no reason to depart from the conclusion I reached.

### **My final decision**

My decision is that I uphold this complaint in part. Gain Credit LLC (trading as Lending Stream) should buy back loan 2 if it is able to and take the following steps. If it isn't able to buy the debt back, then it should liaise with the debt owner to achieve these results:

- A. Remove interest and fees from the balance on loan 2, and treat repayments made by Mrs M as though they had been repayments of the principal on all outstanding loans.
- B. If this results in Mrs M having made overpayments then Lending Stream should refund these overpayments with 8% simple interest\* calculated on the overpayments, from the date the overpayments were made, to the date the complaint is settled.
- C. If there is still an outstanding balance, then Lending Stream should try to agree an affordable repayment plan with Mrs M;
- D. Remove any adverse information recorded on Mrs M's credit file in relation to loan 2 - up to the date the complaint is settled.

\* HM Revenue & Customs requires Lending Stream to take off tax from this interest. Lending Stream must give Mrs M a certificate showing how much tax it's taken off if she asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 7 July 2022.

Amanda Williams  
**Ombudsman**