

The complaint

Miss B complains that Gain Credit LLC , trading as Lending Stream, lent to her irresponsibly.

What happened

Using information from Lending Stream and Miss B then here is a loan table:

Loan	Borrowed Date	Amount	Repayment schedule in agreement - monthly	Total to pay as per agreement	Closed Date
1	04 April 2022	£250	5 x £78.22 1 x £77.84	£471.44	22 April 2022
2	16 May 2022	£900	5 x £320.05 1 x £199.75	£1,800	Not closed

Miss B repaid loan one in one repayment on 22 April 2022 and so only repaid £38 in interest.

Miss B complained to Lending Stream in May 2022, and said that she could not afford the repayments, and this was treated it as a complaint. Lending Stream then issued her with its final response letter (FRL) dated 27 June 2022. It gave reasons why it did not uphold her complaint including the fact she's declared a monthly income and monthly expenditure which showed to Lending Stream she could afford it. It said:

'After subtracting your expenses, you had more money than the amount you needed to repay us each month. You would still have money left over to spend on other things. This means that these loans were affordable.'

After that there was some correspondence between Miss B and Lending Stream. I've read all of that.

Miss B has had trouble repaying loan 2. In August 2022 Miss B suffered an injury and a bereavement and she informed Lending Stream that she'd only got a zero hour contract and was not able to work. So, a repayment plan was set up for just under £47 each month from 16 September 2022 for 24 months.

Miss B briefly engaged a claims management company (CMC) but that CMC does not appear to be acting for her now. Miss B referred her complaint to the Financial Ombudsman Service in July 2022.

One of our adjudicators looked at the complaint. On the irresponsible lending part of Miss B's complaint our adjudicator did not uphold the complaint. She considered that Lending Stream had carried out the right checks and she wrote to both parties with her view.

Lending Stream acknowledged it and had nothing further to add. Miss B did not agree about loan 2 but she has told us that she has no issue with the lending decision for loan 1.

The unresolved complaint 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.

The repayment plan issues

During the life of the complaint with the Financial Ombudsman Service, Miss B appears to have raised other aspects relating to the administration of the repayment plan that was set up in August or September 2022, and that it was not affordable at £47 a month. Our adjudicator did look at that briefly and said in her view that she did not think that Lending Stream had done anything wrong.

However, I consider that this part of Miss B's complaint (about the affordability of the repayment plan and whether Lending Stream treated her fairly in relation to that) can be better assessed and dealt with by setting up a fresh complaint.

And I say that because I do not think that Lending Stream has investigated this fully and has not issued any response to it. And I do not consider that I have enough information from Lending Stream to properly assess this part of Miss B's complaint. Equally, I see no reason to delay the irresponsible lending part of Miss B's complaint by asking for all that additional information now.

So, this decision relates to the irresponsible lending part of Miss B's complaint only which relates to Lending Streams' lending decisions in April and May 2022.

Irresponsible lending

We've set out our general approach to complaints about this type of lending - including all the relevant rules, guidance, and good industry practice - on our website.

Lending Stream had to assess the lending to check if Miss B could afford to pay back the amounts she'd borrowed without undue difficulty. It needed to do this in a way which was proportionate to the circumstances. Lending Stream's checks could've taken into account a number of different things, such as how much was being lent, the size of the repayments, and Miss B's income and expenditure.

With this in mind, I think in the early stages of a lending relationship, less thorough checks might have been proportionate. But certain factors might suggest Lending Stream should have done more to establish that any lending was sustainable for Miss B. These factors include:

- Miss B 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 particular level of income);
- Miss B having a large number of 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);
- Miss B 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 for Miss B, but I don't consider that's applicable here as Miss B took two loans only which does not give time for a pattern to have built up.

Lending Stream was required to establish whether Miss B could *sustainably* repay the loans – not just whether she technically had enough money to make her repayments. Having enough money to make the repayments could of course be an indicator that Miss B was able to repay her loans sustainably. But it doesn't automatically follow that this is the case.

Industry regulations say that payments are sustainable if they are made without undue difficulties and, made on time, while meeting other reasonable commitments and without having to borrow to make them. If a lender realises, or ought reasonably to have realised, that a borrower won't be able to make their repayments without borrowing further, then it follows that it should conclude those repayments are unsustainable.

I've considered all the arguments, evidence and information provided in this context, and thought about what this means for Miss B's complaint. Miss B seems to be content with the outcome for loan 1 and so this decision will focus on loan 2.

Loan 2 was for £900 over a relatively short term. And there had been a gap of almost a month between Miss B paying off loan 1 and applying to it for loan 2. So, this was still early in the lending relationship, loan 1 had been repaid quickly and the gap before Miss B applied for loan 2 would not have indicated to Lending Stream that Miss B was in financial difficulty. So it would have been proportionate for Lending Stream to have relied on the information she had given to it as part of her application for loan 2.

Information from the Lending Stream's records show that Miss B had declared an income of £2,200 each month. The expenditure figures Miss B had declared were less than the income figure (£700) and Lending Stream increased that a little to £725 after its independent checks. So, the disposable income each month was £1,450. It would have appeared that Miss B had enough money to afford the repayments of £320 for five months and £199 for the last month.

Lending Stream carried out a credit search for both loans. We have had a summary of the results. It does appear that Lending Stream knew Miss B had one adverse entry for loan 1 but not for loan 2. It was one possible delinquent account. And lenders such as Lending Stream are used to approving loans to customers who may have some adverse entries on their credit files and so I'd not consider that a reason for Lending Stream to have been alerted to any problems. In addition, as the lending relationship progressed then Lending Stream was able to factor in Miss B's repayment history and I have seen loan 1 was repaid much earlier than the original schedule. The six month instalment loan was repaid within two weeks.

So, I agree with our adjudicator that I think that Lending Stream carried out proportionate checks for the loans.

Since raising the complaint Miss B has sent to us a copy of her payslip dated 25 May 2022 which was after loan 2 had been applied for. It shows she received no pay that month. But, Lending Stream would not have known of this.

And even if it had asked for a payslip when she applied for loan 2 on 16 May 2022, Miss B would not have sent this one as it's dated 25 May 2022.

That May 2022 payslip does indicate that she had received pay for the previous month – so that would have been a payslip dated the month before – 24 April 2022 – as this May one is

marked 'month 2' and the tax year started in April 2022. That May 2022 payslip showed she had 'Gross Taxable' for the Year to Date (YTD) as £199.32.

Miss B says she has had a gambling problem and so Lending Stream ought to have known of it. But I'd consider that unless Miss B told it at the time – of which there's no evidence – than that is not information it would have known about, or I would have expected it to have known.

Miss B has sent us no evidence of her gambling. But if there may have been transactions which appeared as entries on her bank account statements, I would not have expected Lending Stream to have asked for, or reviewed, any bank account statements. So, even though I've no evidence of any gambling spends, even if Miss B had sent that to me, I would not have anticipated that Lending Stream would have been aware of this before it approved loan 2.

I do not uphold Miss B's complaint.

My final decision

My final decision is that I do not uphold the complaint about irresponsible lending.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 28 July 2023.

Rachael Williams
Ombudsman