

## The complaint

Mr F complains that Gain Credit LLC trading as Lending Stream (“Lending Stream”) gave him loans without carrying out sufficient affordability checks.

## What happened

A summary of Mr F’s borrowing can be found below.

loan number	loan amount	agreement date	repayment date	number of monthly instalments	highest repayment per loan
1	£80.00	01/09/2020	25/09/2020	6	£26.05
2	£220.00	28/09/2020	06/10/2020	6	£73.47
3	£100.00	30/09/2020	06/10/2020	6	£32.97
4	£500.00	10/10/2020	Outstanding	6	£154.29
5	£310.00	12/10/2020	Outstanding	6	£94.35
6	£200.00	02/12/2020	Outstanding	6	£64.61

Loans 4, 5 and 6 were sold to a third-party collection agency on 15 November 2021.

The “*highest repayment*” column above is the largest payment per loan, but of course where loans overlapped the total cost to Mr F would be greater. For example, by December 2020, when Mr F had three loans running concurrently, he was due to pay Lending Stream £313.29 per month.

Following Mr F’s complaint Lending Stream wrote to him to explain why it wasn’t going to uphold it complaint because the checks showed Mr F could afford his repayments for loans 1 - 4. However, Lending Stream did say for loans 5 and 6

*“Although these loans were affordable, we have thought about the number of loans and the time between each loan being taken out. We can see that it might not have been a good idea for us to make these loans.”*

It then explained it would refund the interest Mr F paid towards the loans along with 8% simple interest per annum. It then agreed to remove adverse information about loan 5 and remove loan 6 entirely from Mr F’s credit file. However, as an outstanding balance remained due, Lending Stream said it would send the refund to the third-party collection agency in order to reduce Mr F’s overall debt.

Unhappy with this response, Mr F referred the complaint to the Financial Ombudsman.

The case was then considered by an investigator, and he didn’t uphold the complaint about loans 1 to 4 because he said Lending Stream had carried out proportionate checks which showed those loans to be affordable. He also said the offer made for loans 5 and 6 was in line with what he would’ve asked Lending Stream to do, had he decided to uphold those loans.

Mr F didn't agree, saying in summary.

- Lending Stream didn't carry out proportionate affordability checks before each loan was approved.
- Mr F's income wasn't verified and he provided wage slips to show his actual income at the time.
- Mr F says the information Lending Stream holds about him isn't accurate, he says he had dependant(s) and his bank statements shows payments for this. The expenses information Lending Stream held for him wasn't accurate either.
- Mr F was also repaying loans he had taken from family members.
- The amounts Mr F borrowed from Lending Stream increased in value and so it ought to have built a more detailed picture of his finances and had it carried out these further checks it wouldn't have lent to Mr F at all.
- Mr F also provided a more "*realistic*" overview of his expenditure that he had at the time the loans were approved. Mr F says his outgoings were more likely between £1,910 and £2,390 per month (taking the lowest and highest values given by Mr F).

As no agreement could be reached the case has 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.

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 Mr F could afford to pay back the amounts he'd borrowed without undue difficulty. It needed to do this in a way which was proportionate to the circumstances of the applications. 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 Mr F'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 Mr F. These factors include:

- Mr F 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);
- Mr F 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);
- Mr F 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 Mr F. The investigator didn't consider this applied to loans 1 – 4 and I would agree. Although the loans had been taken out relatively quickly, three of the loans had been settled.

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

I've considered all the arguments, evidence and information provided in this context, and thought about what this means for Mr F's complaint.

## **Loans 1 - 4**

As part of his application for these loans, Mr F declared, and Lending Stream has recorded a monthly income of £1,900 for all of his loans. Lending Stream says it didn't feel it needed to make any adjustments to the income figures based on what it knew about Mr F.

Mr F has provided copies of his wage slips from around the time these loans were taken. In the month before loans 1 – 3 were taken Mr F received an income of around £1,900 so broadly in line with what he declared to Lending Stream. So even if Lending Stream had asked for verification of the income – to be clear I do not think that it needed to – then it's likely it would've used the figure from the wage slip – and therefore based its affordability assessment on a monthly income of around £1,900.

Mr F also declared monthly outgoings of £800 for loan 1 and £725 for loan 2, £525 for loan 3 and £575 for loan 4. For each of his loans the monthly expenditure figure was broken as either "*normal expenses*" or "*credit-specific commitments*".

Lending Stream says it looked at other information such as available statistics that relate to the general population and it considered how much people typically spend with their income. Having carried out this further check, Lending Stream didn't consider that it needed to adjust the figures Mr F had declared for loan 2.

However, for loan 1 Mr F declared zero costs for other credit commitments whereas following its further checks Lending Stream increased these costs to £618 a month. For loans 3 and 4 it increased Mr F's regularly monthly outgoings by a further £95.

Overall based on what Mr F declared as well as the additional amounts added to the totals by Lending Stream it may have been reasonable to believe these loans were potentially affordable.

I accept Mr F says his monthly outgoings were considerably more than has been noted by Lending Stream but given this was the early stages of the lending relationship then I think it was reasonable for Lending Stream to have made adjustments based on other data it received. It therefore follows it was fair and reasonable for Lending Stream to base its affordability assessment on the information it used. At this point in the relationship, it would've been disproportionate, in my view for Lending Stream to have required verification of the information it was provided.

I do have some concerns about the information Mr F provided, after all, these loans were all approved within around a 6 week period, yet the amounts declared for expenditure varies especially when you consider the increase Lending Stream applied to the credit commitments for loan 1.

In addition, and I come onto this below, the credit check result highlighted that Mr F's outstanding credit commitments were around £565 per month. So, I do think, for each loan Lending Stream ought to have used at least this figure given that is what the credit check

results said his commitments were. But if you substitute this figure into the rest of the information Mr F provided all of these loans looked affordable.

Before each loan was approved Lending Stream also carried out a credit search and it has provided the Financial Ombudsman with a summary spreadsheet of the results it received from the credit reference agency. I want to add that, although Lending Stream carried out a credit search, there isn't a regulatory requirement to do one, let alone one to a specific standard.

Lending Stream was also entitled to rely on the information it was given by the credit reference agency. So, I've looked at the results to see whether there was anything contained within it that would've either prompted Lending Stream to have carried out further checks or possibly have declined Mr F's application.

The credit checks results showed that in the not too distance past Mr F had a couple of defaults applied to his credit file. But overall, given the limited information Lending Stream requested from the credit reference agency, I don't think for these loans there was enough for Lending Stream to have either declined the loan applications or to have prompted it to have carried out further credit checks.

I think it was reasonable for Lending Stream to have relied on the information Mr F provided and the other checks Lending Stream carried out – which showed he had sufficient disposable income to afford the repayments. There also wasn't anything to suggest that Mr F was having either current financial difficulties or to indicate the loan repayments would be unsustainable for him.

Taking everything into account, I do not uphold Mr F's complaint about loans 1 – 4.

### **Loans 5 and 6**

In the final response letter Lending Stream has already accepted these loans ought to not have been advanced to Mr F so these loans are no longer in dispute and I no longer need to make a finding about them. So, in this decision I will not look into whether Lending Stream was correct to advance these loans – because it accepts that it wasn't.

Lending Stream also appears to have made a fair and reasonable offer to settle these loans as outlined in the final response letter and the email it sent to Mr F on 15 September 2023.

In my view, the offer Lending Stream has made is fair and reasonable and so Lending Stream, as a way of resolving this complaint should pay what it has agreed to do for these loans only.

### **Putting things right**

Lending Stream should carry out the offer that it outlined to Mr F in the final response letter and its email to him of 15 September 2023.

### **My final decision**

Gain Credit LLC trading as Lending Stream has already made an offer as detailed in the final response letter to settle the complaint and I think this offer is fair in all the circumstances.

So, my decision is that Gain Credit LLC trading as Lending Stream should pay this offer to Mr F.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 16 February 2024.

Robert Walker  
**Ombudsman**