

## The complaint

Mr B complains through a representative that Gain Credit LLC trading as Lending Stream ("Lending Stream") should've carried out more detailed affordability checks before it lent to him.

## What happened

A summary of Mr B's borrowing can be found in the table below.

loan number	loan amount	agreement date	repaid date	number of monthly instalments	highest repayment per loan
1	£100.00	11-02-2021	19-02-2021	6	£34.96
2	£200.00	27-02-2021	06-03-2021	6	£63.38
3	£530.00	06-03-2021	04-05-2021	6	£195.98
4	£150.00	31-03-2021	19-04-2021	6	£47.30
5	£150.00	20-04-2021	04-05-2021	6	£50.57
break in lending					
6	£100.00	17-05-2022	20-05-2022	6	£34.51
break in lending					
7	£200.00	12-02-2023	15-02-2023	6	£69.99
break in lending					
8	£500.00	11-12-2023	11-01-2024	6	£155.44

Where loans overlapped the cost per month would be greater, for example when loans 3 and 5 were running at the same time Mr B's monthly commitment was £246.55.

Following Mr B's representatives complaint, Lending Stream explained that it wasn't going to uphold the complaint about loans 1 – 4 and loans 6 – 8 because the checks were proportionate given the breaks in lending. However, for loan 5, Lending Stream accepted

*"Although this loan was 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 this loan."*

Lending Stream offered to refund the interest, fees and charges applied to loan 5, add 8% simple interest, and then deduct any tax. It also said it would remove the loan from Mr B's credit file. Overall, this would generate a refund of £21.29.

Unhappy with this response and offer, Mr B's representative referred his complaint to the Financial Ombudsman.

The case was then considered by an investigator who didn't uphold it because proportionate checks had been carried out before Lending Stream advanced the loans. Mr B's representative didn't agree with the investigator's assessment saying:

- Given the amount of revolving credit Mr B already had, Lending Stream ought to have carried out further checks.
- Mr B also had an overdraft balance of nearly £2,000.
- There was only one break in lending between the last two loans.
- Mr B was repeatedly borrowing and so this is an indication that he was reliant on the loans.

These points didn't change the investigator's mind and as no agreement could be reached, the complaint has been passed to me for a 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.

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. And I've used that to help me decide this complaint.

Lending Stream had to assess the lending to check if Mr B 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 application. 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 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 Mr B. These factors include:

- Mr 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);
- Mr 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);
- Mr 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 Mr B. The investigator didn't consider this applied in Mr B's complaint because of the gaps between some of the loans and I would agree with this.

Lending Stream was required to establish whether Mr B 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 B was able to repay his loan 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 B's complaint.

## Loans 1 - 4

As part of the application Mr B declared a monthly income of broadly similar monthly amounts of either £1,450 or £1,460 from full time work. Lending Stream said it may have used a third-party tool provided by a credit reference agency to check the accuracy of the information provided by Mr B. I don't know whether it did or didn't carry out this check. But no adjustments were made to Mr B's income for its affordability assessment and for the early loans it would've also been reasonable for it to have relied on what Mr B had declared to it.

For each loan Mr B was asked to provide details of his living costs broken down as either "*normal expenses*" or "*credit-specific expenses*". As an example, for loan 1, Mr B declared normal costs of £410 per month and credit commitments of £500.

Lending Stream says it looked at other information such as 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 make any adjustments to the figures given to it by Mr B for the purposes of its affordability assessment. These loans looked affordable.

Before each loan, 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 B's application.

Having looked at the credit check results, in my view, there wasn't anything that would've prompted Lending Stream to have carried out further checks before the loan was advanced or to have declined his application.

For all of the loans it knew that Mr B didn't have any defaulted accounts, or any accounts marked as being in delinquency. Lending Stream was told for each loan that Mr B's total outstanding debt was around £8,500 and this was costing him around £164 per month to repay. There also wasn't anything that I can see from the results that would've prompted further checks or to have declined Mr B's applications.

As part of the affordability assessment Mr B declared that his monthly credit commitments were as low as £25 per month for loan 2 and then £100 per month for loans 3 and 4. However, as I've said above, the credit check results indicated that Mr B's monthly repayment were more likely to be around £164 per month.

So, what Lending Stream ought to have done here is substituted the credit search result figure into the affordability assessment. However, even if Lending Stream had made adjustments based on the results of the credit search it would've led to the same outcome – that these appeared affordable.

All of these loans were repaid more quickly than Lending Stream expected and so there wasn't anything in the manner in which they were repaid which would've given Lending Stream cause for concern.

For the first loans in the lending relationship, I think it was reasonable for Lending Stream to have relied on the information Mr B provided to it and the results of its own checks – which

showed he had sufficient disposable income to afford the repayments – without the need to verify it further than it did. There also wasn't anything to suggest that Mr B was having either current financial difficulties or to indicate these loan repayments would be unsustainable for him. I do not uphold Mr B's complaint about loans 1 – 4.

## **Loan 5**

Lending Stream has confirmed the offer it made for loan 5, as outlined in the final response letter is still available to Mr B.

This offer is in line with what the Financial Ombudsman Service would've asked Lending Stream to pay – if it had decided Lending Stream shouldn't have provided this loan. But as Lending Stream has accepted something went wrong when this loan was advanced, and it's made an in line offer to put things right, I won't be reviewing this loan further.

I therefore consider this offer to be fair and reasonable outcome in the circumstances of the complaint.

## **Loans 6 – 8**

I've considered these loans together, but there are gaps between each loan. There was a year gap between Mr B repaying loan 5 and returning for loan 6. There was then a 9-month gap between loans 6 and 7 and finally a 10-month gap between loans 7 and 8.

Those gaps, in my view show that Mr B wasn't reliant on this lending and it also meant that Lending Stream could treat Mr B as if he was a new customer each time he returned for further borrowing. So, while, for example Mr B took his sixth loan this became in effect loan 1 of a new lending chain.

Mr B declared he earned £1,400 per month at loan 6, £1,660 for loan 7 and finally £2,400 per month when loan 8 was approved. The same caveats to the income figures apply here as they did for the first chain of borrowing. But what is clear, is that Lending Stream didn't make any adjustments to the amounts declared by Mr B.

Lending Stream asked for the same information about Mr B's normal expenses and credit specific expenses. The information was again cross referenced with the information contained in the credit search results as well as statistical data. This time the only adjustment it made was to add a further £85 to what Mr B had declared about his normal expenses for loan 6. Based on the information and the results of the checks, all of the loan repayments looked affordable.

Bearing in mind that for each loan, they were in effect loan 1 of a new chain I'm satisfied these checks were proportionate.

Lending Stream has also provided the results of its credit search and the same caveats apply to the results given for these loans as when they were provided in relation to loans 1 – 4.

Having looked at the credit check results, in my view there wasn't anything that would've prompted Lending Stream to have carried out further checks before the loan was advanced or to have declined his application.

For each result there were no defaults or delinquent accounts being reported. Mr B's credit commitments were noted as being £164 for loan 6, £226 for loan 7 and £322 per month for loan 8. The increase at loan 8 considered with Mr B having more active accounts and his total outstanding debt increasing to just over £15,500. However, the monthly credit

commitments Lending Stream was told about was broadly in line with the figures declared to it by Mr B.

However, as Lending Stream had been told the accounts had been managed well and the increase at loan 8 had considered with a larger monthly income I don't think that would've led to Lending Stream declining or conducting further checks.

For these three separate loan chains, Lending Stream carried out proportionate checks and these checks showed that Mr B would be able to afford the repayments he was committed to making. There also wasn't anything to suggest that Mr B was having either current financial difficulties or to indicate the loan repayments would be unsustainable for him. I am therefore not upholding Mr B's complaint about loans 6 - 8.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress Lending Stream has offered to pay results in fair compensation for Mr B in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

### **Putting things right**

Lending Stream should put things right for Mr B as it has outlined in the final response letter about loan 5 only.

### **My final decision**

Gain Credit LLC has already made an offer to refund the interest, fees and charges applied to loan 5 in order to settle the complaint and I think the offer is fair in all of the circumstances.

So, my decision is that Gain Credit LLC should pay this refund to Mr B.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 2 January 2025.

Robert Walker  
**Ombudsman**