DRN-5335580

The complaint

Mr B complains that Gain Credit LLC trading as Lending Stream lent to him irresponsibly.

What happened

Here is a brief table of the loans Mr B took.

Loan	Open	Amount	closed
1	3 May 2023	£430	29 June 2023
2	24 May 2023	£260	29 June 2023
Six month gap in lending			
3	30 December 2023	£350	7 February 2024
4	3 February 2024	£150	7 February 2024
5	23 March 2024	£650	7 August 2024
6	31 March 2024	£150	15 April 2024
7	27 April 2024	£100	15 May 2024

All the loans were agreed to be six month instalment repayment loans. But each loan was repaid early, often several months early.

After Mr B had complained to Lending Stream in July 2024, it responded to say that it carried out proportionate checks and loans 1 to 6 were affordable. But it was content to uphold the complaint about loan 7 due to the number of loans it had approved for him.

The complaint was referred to us and one of our investigators considered it and thought that Lending Stream should put things right for Mr B for loans 5 and 6 as well as the one it has offered to put right (loan 7). Lending Stream disagreed and sent detailed submissions as to why – all of which I have read. Mr B acknowledged the investigator's view but expressed no opinion either way as to whether he accepted it or not.

The unresolved complaint was passed to me to decide. On 27 March 2025 I issued a provisional decision. In it I expressed my view which was that the investigator had not considered the six month lending gap. I gave reasons why that made a difference to the outcome. I provisionally decided to uphold loans 1 and 2. Plus I did not consider that any additional checks were needed at loans 5 and 6. Lending Stream had already agreed to uphold loan 7.

Since then, Mr B has accepted my provisional decision and Lending Stream has sent many submissions as to why loans 1 and 2 ought not to be upheld.

For ease of reading, I have duplicated the provisional reasoning here in full and I address Lending Stream's points at the end.

What I provisionally decided on 27 March 2025 – 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 unaffordable/irresponsible 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 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. Lending Stream's checks could've considered several different things, such as how much was being lent, the size of the repayments, and Mr B's income and expenditure.

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:

- him 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).
- him having many loans and/or having these loans over a long period (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).
- him 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. But I do not consider this applied in Mr B's circumstances. Especially where there were two loan chains which I will address later in this decision.

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 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 B's complaint. I've not looked at loan 7 as Lending Stream has accepted that it will put things right for it.

Loans 1 and 2

I can be brief in my provisional decision outcome for these two loans. On the figures supplied by Lending Stream for the contemporaneous Income and Expenditure (I&E) assessment it carried out for Mr B, the figures were too tight for me to consider loans 1 and 2 were affordable to Mr B.

Mr B had declared incomes for each loan of £1,750 and £1,774. As these were loans applied for early in the lending relationship then Lending Stream was entitled to rely on what he had said. In any event, it must have checked Mr B's income as it reduced these figures (rounded) to £1,591 and £1,613 respectively. I've used rounded figures throughout this decision to make it easier to read.

Lending Stream carried out checks and either used Office of National Statistics (ONS) data and/or Credit Reference Agency (CRA) details to check whether Mr B's declared figures for both ‘normal expenses’ and for ‘credit-specific expenses’ were about right. Lending Stream increased both sets of figures for both types of expenses for both loans 1 and 2.

The increased figures for his monthly expenses were from £648 to £1,134 for loan 1 and from £775 to £1,213 for loan 2. The increased monthly credit-specific figures were £150 to £265 for loan 1 and £200 to £265 for loan 2.

These led Lending Stream to calculate how much Mr B would have had left over after paying all his normal and credit-specific expenses plus the new Lending Stream loans and those figures were £49 and £53 for loans 1 and 2 which I consider were too low to be reasonable. So, I plan to uphold the complaint about loans 1 and 2.

Gap of 6 months

The gap in the lending relationship between paying off loan 2 and applying for loan 3 was around six months., In circumstances such as these, our approach is that the gap means it would have been reasonable for Lending Stream to have treated Mr B as a new customer, and to treat loan 3 as the start of a new lending chain.

This was not mentioned by our investigator but I consider that fair and reasonable. And it was one of the submissions Lending Stream has made for me to consider. I agree.
Loans 3 and 4

The same information in the same format has been supplied to us for loans 3 and 4 as for loans 1 and 2. Lending Stream used ONS and CRA data to check the figures Mr B had given it.

As I consider that it would have been fair and reasonable for Lending Stream to treat the loan 3 and 4 applications by Mr B as if he was a new customer then it would have been reasonable for it to rely on the income he declared to it when applying for loans 3 and also for loan 4.

In any event, it seems that Lending Stream did carry out a check and the figures it has submitted to us show me that the income figures were not altered and the normal expenses were increased a little. Lending Stream did have to increase the credit specific expenses figures a lot as Mr B had declared £0 cost for loan 3 and £125 for loan 4. But even with those credit searches and the costs incorporated into the assessment it carried out, still Mr B would have been left with a decent amount of disposable income left after making the repayments for loans 3 and 4.

I’ve looked at the spreadsheet Lending Stream has supplied to show me what information it had about any adverse credit entries it had obtained. There was reference to defaults applied but at the loan 3 and 4 application stages, these were 47 and 49 months previously respectively. And there were no new adverse entries such that Lending Stream would have been alerted to Mr B having had a problem before applying for loans 3 and 4.

The details do show an increase in Mr B’s overall credit balance – to around £4,000 – since he had paid off loan 2, but this figure is not a particularly large overall outstanding balance figure. Lending Stream has explained what it did to carry out the affordability assessment for loans 3 and 4 and I consider that it carried out proportionate checks. I plan not to uphold the complaint about loans 3 and 4.

Loans 5 and 6

Mr B repaid loans 3 and 4 early and Lending Stream would have noted that as being positive account management by Mr B when he applied to it for loan 5.

Several weeks after repaying loans 3 and 4, Mr B applied to Lending Stream for Loan 5 which was for a larger sum - £650. I have thought about the fact that Mr B had taken two loans overlapping (loans 3 and 4) which had been repaid on the same day, 7 February 2024.

But that had been several weeks before he returned to apply for loan 5.

Lending Stream has submitted:

> *'Even with the increased expenses, it was clear that [Mr. B] had enough money to make the loan repayments for loans 5 and 6 and still have money left over. The information we received, whether from [Mr. B] or third-party sources, did not suggest the need for additional information such as bank statements, especially given our conservative approach.'*

The same assessments carried out for loans 3 and 4 were done again and reviewing the figures I do not consider that Lending Stream had anything with which to alert it to having to carry out further checks and so I plan not to uphold loan 5.

I have considered whether Lending Stream ought to have done more than it did for loan 6, but I have decided not as it was a relatively small loan of £150. And Mr B had had a good repayment record. So, I plan not to uphold Loan 6 for the same reasons as before.

Lending Stream carried out proportionate checks for loans 5 and 6, they looked affordable and there was nothing at this stage in the lending relationship that ought to have alerted Lending Stream to consider additional checks were required.

This is the end of the duplicated 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.

Mr B accepted the provisional decision outcome which meant that he was content to accept an uphold for loans 1 and 2. Lending Stream had already agreed to uphold loan 7.

Lending Stream made submissions as to why it did not think that loans 1 and 2 ought to be upheld. In summary it seems to be saying that had it relied on Mr B's declared income and expenditure figures, then the affordability assessment would have come out as showing that loans would have been affordable. However, it says it took a conservative approach and carried out checks, altered the figures upwards and it says still loans 1 and 2 were affordable.

The rationale behind proportionate checks and carrying out a creditworthiness assessment before lending is to ensure Mr B could afford the repayments.

Mr B had declared incomes for each loan of £1,750 and £1,774 respectively. As these were loans applied for at the start of the lending relationship then Lending Stream could have been entitled to rely on what he had said. In any event, it has told us that it chose to check Mr B's income which were reduced to £1,591 and £1,613 respectively.

I don't consider it persuasive for Lending Stream to try to justify using the original declared figures as the ones on which to calculate affordability. As it discovered that Mr B's income was less than he had declared then those were the correct figures to use.

Lending Stream carried out checks and either used Office of National Statistics (ONS) data and/or Credit Reference Agency (CRA) details to check whether Mr B's declared figures for both 'normal expenses' and for 'credit-specific expenses' were about right. Lending Stream increased both sets of figures for both types of expenses for both loans 1 and 2.

The figures for his monthly expenses were increased from £648 to £1,134 for loan 1 and from £775 to £1,213 for loan 2. The monthly credit-specific figures were increased from £150 to £265 for loan 1 and £200 to £265 for loan 2.

These led Lending Stream to calculate how much Mr B would have had left over after paying his normal and credit-specific expenses plus the new Lending Stream loans. Those figures were £49 a month and £53 a month for loans 1 and 2 which I consider were too low to be reasonable.

Following my provisional decision, I am not persuaded by Lending Stream that the right approach is to use the original declared figures, especially when it had information that the original figures declared weren't likely to be accurate.

Lending Stream has also submitted that early repayment of loans is a positive factor to consider when looking to lend. I agree, but in Mr B's circumstances it would have been irrelevant for loans 1 and 2 because:

- loan 1 is obviously the first in the chain and Mr B was a new customer; and
- loans 1 and 2 were repaid on the same day – 29 June 2023. So – when it came to assessing loan 2, loan 1 was still outstanding.

I uphold the complaint about loans 1 and 2.

Putting things right

Lending Stream has offered to put things right for loan 7 and so I have included it here for completeness.

In deciding what redress Lending Stream should fairly pay in this case I've thought about what might have happened had it not lent Loans 1 and 2 and 7 to Mr B, as I'm satisfied it ought not to have. Clearly there are a great many possible, and all hypothetical, answers to that question.

For example, having been declined this lending Mr B may have simply left matters there, not attempting to obtain the funds from elsewhere. If this wasn't a viable option, he may have looked to borrow the funds from a friend or relative – assuming that was even possible. Or, he may have decided to approach a third-party lender with the same application, or indeed a different application (i.e. for more or less borrowing). But even if they had done that, the information that would have been available to such a lender and how it would (or ought to have) treated an application which may or may not have been the same is impossible to reconstruct now accurately.

From what I've seen in this case, I certainly don't think I can fairly conclude there was a real and substantial chance that a new lender would have been able to lend to Mr B in a compliant way at this time. Having thought about all these possibilities, I'm not persuaded it would be fair or reasonable to conclude that Mr B would more likely than not have taken up any one of these options. So it wouldn't be fair to now reduce Lending Stream's liability in this case for what I'm satisfied it has done wrong and should put right.

Lending Stream shouldn't have given Mr B loans 1 and 2 and 7.

A) Lending Stream should add together the total of the repayments made by Mr B towards interest, fees and charges on these loans (if not already done so),

B) Lending Stream should calculate 8% simple interest* on the individual payments made by Mr B which were considered as part of "A", calculated from the date Mr B originally made the payments, to the date the complaint is settled.

C) Lending Stream should pay Mr B the total of “A” plus “B”.

D) My understanding is that there are no outstanding balances to offset against the redress sums. But if there are, I direct that Lending Stream can make such an offset.

E) Lending Stream needs to amend Mr B’s credit file and remove any adverse entries for loans 1 and 2 if applicable. In the FRL, Lending Stream said this about loan 7 ‘*we’ll ask them* [the credit reference agencies] *to remove all information for loan 7, if applicable, so the record of the loan will no longer be visible.’* So Lending Stream needs to do this too unless it has already carried this part out.

I’ve considered whether the relationship between Mr B and Lending Stream might have been unfair under s.140A of the Consumer Credit Act 1974. However, I’m satisfied the redress I have directed should be carried out for Mr B results in fair compensation for him 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.

*HM Revenue & Customs usually requires Lending Stream to deduct tax from this interest. It should give Mr B a certificate showing how much tax it has deducted if he asks for one.

My final decision

My final decision is that I uphold Mr B’s complaint in part and I direct that Gain Credit LLC trading as Lending Stream does as I have outlined above in the ‘putting things right’ part of my decision.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr B to accept or reject my decision before 8 May 2025.

Rachael Williams
Ombudsman