

## **The complaint**

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

## **What happened**

In February 2024, Mr L took one loan with Lending Stream; it was for £120, repayable over a term of six months, with five monthly instalments of around £40, and then one final instalment of around £35. Mr L only made one repayment; he received letters detailing his arrears, a Notice of Default, and the loan was ultimately terminated in June 2024.

Shortly afterwards, in September 2024, Mr L complained to Lending Stream. He said, in summary, that it shouldn't have provided him the credit and that sufficient affordability checks hadn't been undertaken. In response, Lending Stream rejected Mr L's complaint. It said that it had appropriately lent, and that its checks demonstrated how Mr L had sufficient disposable income to afford the repayments.

Mr L remained unhappy, so he contacted this Service for an independent review. An Investigator here looked at what had happened; having done so, they didn't think Lending Stream should've provided Mr L the loan. In short, the Investigator said:

- Lending Stream had carried out checks which were proportionate to the amount being lent.
- The credit check Lending Stream carried out didn't reveal any obvious signs of financial difficulty.
- That said, Lending Stream's calculations for Mr L's expenditure ought to have given it cause for concern. Those results showed that Mr L had around £88 left each month; after subtracting the cost of this loan, Mr L would've been left with around £40 each month. That wasn't sustainable, and it would've been very difficult for Mr L to meet any unforeseen expenses.
- In conclusion, Lending Stream shouldn't have provided Mr L the loan.

Lending Stream disagreed. It remained of the view that Mr L had enough disposable income to meet the cost of this loan and, therefore, it was affordable for him. As no agreement has been reached, Mr L's complaint has now 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.

Having done so, I agree with the findings of our Investigator, for largely the same reasons.

Simply put, Lending Stream had to carry out checks proportionate to the specific circumstances of the lending. In general, what constitutes a proportionate affordability check

will be dependent on a number of factors including – but not limited to – the particular circumstances of the consumer (e.g.: their financial history, current situation and outlook, any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they were seeking.

In early stages of lending, less thorough checks are generally proportionate. Here, Lending Stream obtained details of Mr L's income and expenditure; it also carried out a credit check. I think that's enough in the circumstances, and I wouldn't have expected Lending Stream to carry out more comprehensive checks at this stage – particularly given the modest amount being lent.

That doesn't, though, mean it inevitably follows that Lending Stream made a reasonable lending decision. What's important here is how Lending Stream used the information it obtained as a result of its checks. Looking at the credit check Lending Stream carried out, I agree that it doesn't show particular cause for concern. Defaults were evident but, at the time, the last of these was around 17 months prior; so, it could reasonably be considered historic. Broadly, there was no recent adverse information.

Aside from that, though, the issue here – in my view – is the results of Lending Stream's assessment of Mr L's income and expenditure. I don't intend to set out the full figures here, both parties are already well aware of those; the key point to focus on, I think, is the amount Mr L had left over each month once his expenses, including this loan, were taken into account.

From what I've seen, after subtracting his general expenditure, but before applying the cost of this loan, Mr L had around £88 left each month. Lending Stream's view is that this means the loan it provided Mr L was affordable for him, given the repayments wouldn't have been above around £40.

On a strict "pounds and pence" basis, that's not wrong – Mr L did seemingly have enough to meet the repayments. But the crucial point here is considering whether the consumer was left with a reasonable margin to meet any unexpected costs. In these circumstances, I don't think Mr L was left with that reasonable margin; my perspective is that generally having between just £40 and £50 left, each month, for six months, to meet unexpected costs which surely occur in day-to-day life, left Mr L in a precarious financial position. In other words, having the apparent means to meet Lending Stream's repayments doesn't automatically equate to this loan being *affordable* for Mr L.

The rules applicable to this type of lending support that. CONC 5.2A.12 R says:

*"The firm must consider the customer's ability to make repayments under the agreement:*

*...*

*(5) without the repayments having a significant adverse impact on the customer's financial situation."*

I'd consider that leaving Mr L, for the most part, with somewhere between £40 and £50 to meet any other costs did have a significant adverse impact on his financial situation. It's very unlikely he'd be able to absorb any such unexpected costs, and that's why I think this complaint should be upheld; not because Lending Stream didn't carry out proportionate checks – it did – but because I'm not persuaded it fairly or appropriately applied the information it gathered. Ultimately, having thought about the level of disposable income Mr L had at the time and, in the circumstances of this particular case, I don't think it was enough to allow Gain Credit to fairly lend.

## **Putting things right**

Lending Stream should add up the total repayments Mr L has made and deduct these from the total amount of money he received:

a) if this results in Mr L having paid more than he received, any overpayments should be refunded along with 8% simple interest (calculated from the date the overpayments were made until the date of settlement). †

Lending Stream should also remove all adverse information regarding this account from Mr L's credit file.

b) if any capital balance remains outstanding, then Lending Stream should arrange an affordable and suitable payment plan with Mr L. Once Mr L has cleared the balance, any adverse information in relation to the account should be removed from their credit file.

If Lending Stream has sold the debt to a third party, it should arrange to either buy back the debt from the third party or liaise with them to ensure the redress set out above is carried out promptly.

† HM Revenue & Customs requires Lending Stream to take off tax from this interest. Lending Stream must give Mr L a certificate showing how much tax it's taken off if they ask for one.

Finally, I've considered whether the relationship between Mr L 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 above results in fair compensation for Mr L 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.

## **My final decision**

My final decision is that I uphold Mr L's complaint. Gain Credit LLC, trading as Lending Stream, should put things right as I've directed.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 13 June 2025.

Simon Louth  
**Ombudsman**