

The complaint

Mr S complains that Gain Credit LLC, trading as Lending Stream, irresponsibly provided him with five loans.

What happened

Lending Stream provided Mr S with the following loans, each with a term of around six months:

- Loan 1 for £400 provided in January 2021, with five monthly payments of £141.49 followed by a final payment of £92.55
- Loan 2 for £500 provided in March 2021, with five monthly payments of £167.55 followed by a final payment of £162.25
- Loan 3 for £600 provided in June 2021, with five monthly payments of £190.10 followed by a final payment of £189.29
- Loan 4 for £140 provided in June 2021, with five monthly payments of £44.05 followed by a final payment of £42.90
- Loan 5 for £250 provided in September 2021, with five monthly payments of £79.20 followed by a final payment of £77.46

In summary, Mr S says Lending Stream failed to carry out sufficient checks before approving the loans, despite indicators of financial distress. Mr S says he had lots of credit at the time and he was gambling significantly. Mr S says being provided with the loans worsened his overall position and his mental health.

Lending Stream reviewed matters; in summary it thought loans 1-4 were provided responsibly, but it agreed to uphold loan 5. Mr S remained unhappy and brought his complaint to this service.

An Investigator here reviewed matters. In summary, he thought the checks carried out for loans 1-3 were proportionate and showed Mr S would have enough disposable income to afford them. However, he thought further checks ought to have been carried out before loan 4. Had this been done, he thought this would have revealed that loan 4 – taken the day after loan 3 – shouldn't have been provided. He recommended redress to put matters right for loan 4 and thought Lending Stream should honour its offer for loan 5.

Mr S disagreed with this position. In summary, he thought earlier loans were also provided irresponsibly because he had a lot of active credit at the time. He says Lending Stream should have identified early signs of dependence and escalating financial harm, and his bank statements showed the extent of his circumstances.

Lending Stream also disagreed with our Investigator's opinion. In summary, it acknowledged that loan 4 was taken the day after loan 3, but it noted that this was a relatively low value

loan. It said Mr S had maintained a good repayment history up to that point, and it didn't agree that the borrowing pattern indicated financial distress. It reiterated that the checks carried out were proportionate.

Overall, an agreement wasn't reached. So, the case was passed to me to decide. This service contacted the parties informally to outline that I was intending to reach the same outcome as our Investigator and clarified the redress I was intending to direct Lending Stream to pay, which differed slightly to what our Investigator had recommended. In all the circumstances, I now think it's appropriate to move forward with my final 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 explained how we handle complaints about unaffordable and irresponsible lending on our website. I've used this approach to help me decide Mr S's complaint.

Lending Stream needed to ensure it didn't lend irresponsibly. In practice, this means it needed to carry out proportionate checks to be able to understand whether Mr S could afford to repay before providing the loans.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, it might be reasonable and proportionate for a lender's checks to be less thorough, in terms of how much information it gathers and what it does to verify it, in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And, the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So, we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

Before lending to Mr S, Lending Stream asked him for information about his income and essential expenditure. It then used external sources to check this, adjusted some figures and used these adjusted figures as part of its calculations. It also completed a credit check with the Credit Reference Agencies.

The checks carried out for loans 1-3 showed that Mr S was managing his external debt well with no recorded issues. Mr S says he already had lots of credit accounts at the time, and Lending Stream's checks do show an increase in Mr S's overall indebtedness over the period in question. However, its checks didn't stop there, and Lending Stream also completed an income and expenditure review to see whether the loans were indeed affordable, alongside Mr S's other commitments.

As outlined, Mr S provided information about his income and expenditure. However, Lending Stream didn't just accept Mr S's declarations; it carried out additional checks using external sources and then adjusted the recorded figures where appropriate depending on what it found. After doing so, it recorded that Mr S had enough disposable income to afford the loans in question.

I think the checks carried out for loans 1-3 were proportionate and demonstrated that Mr S would be able to afford the repayments. The credit check didn't reveal any obvious issues and the income and expenditure assessment carried out showed that Mr S would have enough disposable income to afford the loans. Therefore, I don't think Lending Stream acted unreasonably by providing these loans.

I appreciate Mr S says he thinks some of these loans ought to be upheld, and that proportionate checks would have revealed he was in a difficult situation. He says he was gambling at the time, and this would have been visible on his bank statements. However, I don't think Lending Stream needed to review bank statements before providing these loans. And whilst it did use open banking as part of its checks, Lending Stream has told this service that it only pulled information related to Mr S's income. Here, I think the checks carried out were proportionate and didn't reveal any obvious issues. So, whilst I accept that Mr S's circumstances were worse than what Lending Stream understood at the time, its checks simply didn't reveal this information and instead showed that the loans were likely to be affordable – I don't think that's a failing on the part of Lending Stream.

For loan 4, our Investigator thought Lending Stream ought to have carried out further checks into Mr S's circumstances to satisfy itself that it was appropriate to lend. I've thought about this, and I agree with the Investigator – I'll explain why below.

I appreciate Lending Stream's point that loan 4 was a smaller loan and Mr S had managed his loans well up until that point. However, it's worth noting that this was the fourth loan Mr S had applied for with Lending Stream in what was, in my opinion, relatively close succession. Importantly, the application for this loan was only a day after his application for the previous one. I'm also conscious that Mr S was beginning to build a pattern of taking out new loans before the previous ones had been repaid; the information provided by Lending Stream suggests that loans 2 and 3 both remained outstanding when Mr S applied for loan 4.

So, whilst the checks revealed that the loan was likely to be affordable on a pounds and pence basis, I think Lending Stream ought to have taken steps to understand more about Mr S's circumstances and his day-to-day expenditure before providing him with additional lending.

Mr S has provided bank statements from the time loan 4 was provided. I appreciate different checks would have revealed different things, and proportionate checks may not have revealed all the information I've seen. But in the absence of anything else from Lending Stream showing what further checks would have likely revealed, and in the absence of it carrying out proportionate checks here, I think it's reasonable and proportionate to place weight on Mr S's statements to build a picture of his circumstances around the time.

It's also important to note that whilst Lending Stream needed to understand whether the loans were affordable on a pounds and pence basis, it also needed to establish whether Mr S could sustainably afford the repayments. Having reviewed Mr S's bank statements, I think further checks would have likely revealed that he was reliant on lending – including short-term loans and high-cost credit. So, I think further checks would have revealed that it wasn't responsible to provide loan 4 to Mr S.

Lending Stream has already agreed that loan 5 ought to be upheld. For the avoidance of doubt, I agree with this position because I don't think Lending Stream ought to have continued lending from loan 4 onwards. Mr S has had to pay interest on loans that shouldn't have been provided. Therefore, Lending Stream should put things right in the following way for loans 4 and 5:

Add up the total repayments Mr S has made and deduct these from the total amount of money Mr S received.

- a) If this results in Mr S 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 these loans from Mr S's credit file.

- b) If any capital balance remains outstanding, then Lending Stream should arrange an affordable and suitable repayment plan with Mr S. Once Mr S has cleared the balance, any adverse information in relation to these loans should be removed from his credit file.

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

My final decision

My final decision is that I uphold this complaint, and direct Gain Credit LLC trading as Lending Stream to settle this complaint in the way I've outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 18 December 2025.

Hana Yousef
Ombudsman