

The complaint

Mr G through his representatives complain that Gain Credit LLC trading as Lending Stream lent to him irresponsibly.

What happened

Lending Stream lent Mr G four loans, from the information provided the lending history is as follows:

Loan number	Start date	Loan amount (£)	Term	Highest Repayment (£)	End date
1	12/12/2022	150	6 months	45	12/12/2022
2	05/01/2024	310	24 months	23.96 (weekly)	05/01/2024
3	01/03/2024	520	24 months	40.19 (weekly)	-
4	09/03/2024	500	24 months	40.12 (bi-monthly)	-

Our investigator looked at what both parties said and didn't think Lending Stream should have lent any of the loans to Mr G. Lending Stream disagreed, it said Mr G's impaired credit file didn't indicate he couldn't afford what he was borrowing. Lending Stream says it carried out sufficient checks and those checks showed Mr G could afford his loan repayments. However, Lending Stream, agreed to remove loans 1 and 2 from Mr G's credit file, it said he repaid both those loans on the same day.

As the complaint hasn't been resolved, it has been referred to me, an ombudsman to make 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 unaffordable/irresponsible lending - including all of the relevant rules, guidance and good industry practice - on our website.

Lending Stream is aware of its obligations as a lender as explained in the regulator's handbook, so I don't intend to go into all the details about his duty. In summary, Lending Stream is required to take reasonable steps to ensure that it didn't lend irresponsibly. There isn't a prescriptive level of checks to ensure responsible lending and in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate.

But certain factors might point to the fact that Lending Stream should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These factors include:

- the *lower* a consumer's 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 *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the *greater* the number and frequency of loans, and the longer the period of time during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

Mr G's first loan with Lending Stream was a short-term loan. At the point of sale, Mr G applied for a loan of £100 and Lending Stream lent him £150. Mr G declared his income as £1,600 and his living expenses as £800 including his monthly credit commitments. Lending Stream says it adjusted this information and lent on the basis that Mr G's monthly living costs was £1,003.50. It says based on this, Mr G had sufficient disposable income to repay the loan.

The summary of the credit search Lending Stream completed showed that Mr G had two defaults and three delinquent accounts, the most recent default was five months before the lending, and the most recent delinquency was in the month of the lending. The total amount on the default and delinquency balance was close to £20,000. I understand Lending Stream's argument that it is a subprime lender and it isn't unusual for it to lend to consumers with impaired credit files. However, it was still obliged to lend in line with the rules and regulations of the industry regulator ensuring that any lending wasn't going to put Mr G in a worse financial position. It wasn't just about the pounds and pence calculation.

I think the recent delinquent and defaulted accounts should have prompted Lending Stream to take its checks further. I don't think it was reasonable in the circumstances to ignore the information the credit search revealed.

Mr G has provided a copy of his credit report and from what I can see at the time of lending, Mr G was behind on the repayment of his residential mortgage. This is a priority debt and if Mr G has been shown to be struggling with this, I think Lending Stream ought to have known he wasn't in the financial position to take on more debt.

So, had Lending Stream reacted to the information it saw and taken its checks further, I think on balance, it would have seen that Mr G was behind on a priority debt and likely had problems managing credit and so it shouldn't have lent.

Lending Stream lent loan 2 to Mr G more than two years after he repaid loan 1. Loans 2 – 4 were longer term high-cost loans and loans 3 and 4 ran concurrently. As I understand it, Mr G has struggled to keep up with the repayments of loans 3 and 4 and has an outstanding balance on both those loans.

For loan 2, Mr G declared his monthly income as £1,500 and his monthly living costs including credit commitment as £675. Lending Stream says its checks showed Mr G's monthly living costs and credit commitment as £1,162.96, this would have left Mr G with sufficient disposable income to repay the loan. However, Lending Stream's credit checks showed Mr G had historic defaults but a recent delinquent account. Having looked at Mr G's credit report which he provided, Mr G was again struggling with the repayment of his residential mortgage so had Lending Stream reacted to this information it wouldn't have lent to Mr G for the same reasons as stated above. Essentially Mr G hadn't recovered from his mortgage arrears from the time of loan 1.

Mr G was in a similar position with his mortgage repayments for loans 3 and 4 which suggests his financial circumstances remained unstable and he was struggling to manage his credit.

Overall, given the priority debt Mr G was struggling with and the fact that Lending Stream's checks alerted it to the issues, it should have taken further checks to understand Mr G's circumstances and had it done so it would have found that Mr G was struggling with a priority debt which meant he wasn't in a position to afford further borrowing. So, while Mr G managed to repay loans 1 and 2, I don't think he did so without detriment to his finances and this has been borne out in how he has struggled to keep to repaying loans 3 and 4.

Having fully considered all the information here, I'm not persuaded Lending Stream lent responsibly, I think it ought to have known Mr G wasn't in the position to take on further borrowing. It has lent when it shouldn't have and it needs to put things right.

Putting things right – what Lending Stream needs to do

To put things right for Mr G, Lending Stream should;

- remove all interest, fees and charges added to loans 1 - 4. Add up the total amount of money Mr G received as a result of having been given the loans. The repayments Mr G has made should be deducted from this amount.
 - a) If this results in Mr G 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). †
 - b) If any capital balance remains outstanding, then Lending Stream should attempt to arrange an affordable and suitable payment plan with Mr G.
- remove any negative information about loans 1 - 4 from Mr G's credit file once the capital has been fully repaid.

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

Did Lending Stream act unfairly/unreasonably in some other way?

I've also considered whether Lending Stream acted unfairly or unreasonably in some other way, including whether its relationship with Mr G might have been viewed as unfair by a court under s.140A Consumer Credit Act 1974.

However, I'm satisfied the redress I have directed above results in fair compensation for Mr G 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

For the reasons given above, I uphold Mr G's complaint and direct Gain Credit LLC trading as Lending Stream to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 7 November 2025.

Oyetola Oduola
Ombudsman