

The complaint

Mr P complains that Gain Credit LLC trading as Lending Stream (“Lending Stream”) gave him loans without carrying out sufficient affordability checks. Had better checks been made it would’ve seen he was reliant on this sort of credit and had a large amount of existing debt.

What happened

A summary of Mr P’s borrowing can be found below.

loan number	loan amount	agreement date	repayment date	number of monthly instalments	Largest repayment per loan
1	£1,500.00	23/11/2024	28/11/2024	12	£255.67
2	£800.00	29/11/2024	03/12/2024	6	£265.67
3	£1,100.00	17/12/2024	23/12/2024	6	£392.45
4	£1,100.00	01/01/2025	29/01/2025	6	£357.20
5	£1,250.00	03/02/2025	10/02/2025	6	£398.24

Following Mr P’s complaint Lending Stream explained why it wasn’t going to uphold the complaint. Mr P then referred the complaint to the Financial Ombudsman where the case was considered by an Investigator. The Investigator explained why she thought Lending Stream ought to not have provided loans 4 and 5 to Mr P.

Lending Stream didn’t agree with the proposed outcome in relation to loans 4 and 5, saying;

- Lending Stream thought what Mr P had declared about his monthly expenditure was too low and so uplifted it.
- Mr P was managing his payments well with other creditors and the credit report gave no cause for concern.
- Mr P was only given a new loan when the previous loan was repaid.

Mr P also disagreed with the outcome not to uphold loans 1 – 3 saying:

- These loans impacted his mental health and so a payment for the distress and inconvenience caused should be made.
- Mr P says Lending Stream is delaying the resolution of the complaint.
- Mr P provided a copy of his credit report which showed he ought to not have been lent any of the loans.

These comments didn’t change the Investigator’s mind and as no agreement could be reached the case has 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.

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.

Lending Stream had to assess the lending to check if Mr P 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 applications. 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 P'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 P. These factors include:

- Mr P 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 P having a large number of loans and/or having these loans over a long period of time (reflecting the risk that refinancing may signal that the borrowing had become, or was becoming, unsustainable);
- Mr P 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 P. The investigator didn't believe this applied to Mr P's complaint. I agree, considering the number of loans that were taken and the relatively short period that Mr P borrowed from Lending Stream.

Lending Stream was required to establish whether Mr P 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 P 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 P's complaint.

Firstly, I understand that Mr P is unhappy with what he says are delaying tactics that he believes Lending Stream are using. I can understand why he feels that way. But after the Investigator issues an assessment both parties have the opportunity to ask for an ombudsman to review the complaint. As is what has happened here and as both parties exercised that right I don't think it would be right to award compensation for this. But now the case has been reviewed I'm satisfied I'm in a position to issue a final decision and so that is what I've done.

Loans 1 – 3

As part of his application for these loans, Mr P declared to Lending Stream his income was around £3,750 per month. He also declared monthly outgoings of no more than £400 per month – which included existing credit commitments.

However, Lending Stream didn't just rely on what it was told by Mr P. Lending Stream says it used a third party and having made these checks, it decided Mr P had overestimated his income for loan two only, where he declared a monthly income of £14,000. But I can see that Lending Stream decreased this declared amount to keep it in line with the other figures Mr P had provided.

For the outgoings, Lending Stream says it looked at other information such as available 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 made adjustments to each loan application by adding at least a further £478 to Mr P's regular living costs. This took his regularly living expenses (excluding credit commitments) up to a maximum of £653 per month – when loan 3 was granted.

Before each loan was approved 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'd also add that there is no regulatory requirement for a credit search to be carried out, 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 and the results could differ from the information Mr P is able to view in his own credit report and which he has provided us. What this means is that while Mr P has provided his credit report, I've considered the information Lending Stream was given as that is what it had available to it when assessing the application.

I've gone on and 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 P's application.

Firstly, the results didn't show any adverse credit file data – there were no defaults or missed payments which indicated Mr P was maintaining his repayments to his existing creditors without any obvious signs of difficulties.

For these loans Lending Stream was told that Mr P had no more than ten active credit accounts (some of which may have been previous Lending Stream loans given the close proximity of the applications) owing no more than around £75,000 to other creditors. And, at most Lending Stream was told that Mr P's monthly credit commitments were at least £996 – which was significantly more than he had declared as part of his application which was no more than £300.

But I can see that as part of its affordability assessment Lending Stream factored in the known increased in credit commitments and it uplifted the figures Mr P provided to better reflect the information it saw in the credit search. This was the correct approach to take, but even with the uplifts Lending Stream applied to both the monthly living costs and credit commitments – Mr P still had more than enough disposable income with which to afford his loan repayments.

I've also considered Mr P's overall outstanding debt – that was probably close to his annual income and his monthly repayments were around 50% of his monthly income. I've carefully thought about this because in some situations that may well have been sufficient to say that the lending wasn't likely to be sustainable or to have carried out further checks.

But I've had to weight this up against how these loans were repaid, the credit file showed no adverse payment information and the checks that Lending Stream did do showed the loans to be affordable – and as I've said the checks went beyond solely relying on what it was told by Mr P. In addition, all of these loans were repaid quickly – usually within a matter of days

which may have given Lending Stream additional confidence that these loans were affordable. Thinking about these individual circumstances I'm not upholding the complaint about these loans.

Overall, there also wasn't anything in the information that Lending Stream obtained that would've led it to conclude that it needed to have carried out further checks. In my view, Lending Stream carried out proportionate checks which demonstrated to it that Mr P would likely be in a position to afford to take on these loans. I am therefore not upholding his complaint.

Taking everything into account, I am not upholding Mr P's complaint about these loans.

Loans 4 – 5

The Investigator upheld these loans because she was concerned by the manner in which Mr P was using the loans – he was treating them as if they were payday loans and given the number of loans he'd taken in a short space of time and that ought to have led to more checks. Further checks would've likely led Lending Stream to conclude these loans weren't affordable. I've thought about this and I do agree with the Investigator and I've explained why below.

Lending Stream carried out the same sort of checks as it did for the loans above. This time it cross checked Mr P's income and found it to be about £3,500 per month. Mr P also provided information to Lending Stream about his living costs and his existing credit commitments.

As before Lending Stream initially cross checked the living costs and increased these to at least £727 each month. The credit search which Lending Stream carried out showed much the same information as it did before – same number of active accounts and no adverse payment information. But it again showed that Mr P's existing credit commitments were at least £1,533 per month compared which was more than he had declared.

Even with the increased living costs and credit commitments Lending Stream may well have believed these loans were affordable for Mr P. However, I don't think these checks went far enough.

Like the Investigator, I am concerned that Mr P was returning for a fourth application of credit in around five weeks. And Mr P had repaid his previous loans so quickly, that it could be argued that he was treating them as payday loans or equally that Mr P was changing his mind about each application and was in effect able to withdraw.

Whatever the reason for the quick uptake, given the frequency of applications and the significant discrepancies that Lending Stream was finding in the application data, ought to have led Lending Stream to carry out further checks before it lent.

In those circumstances, I do think Lending Stream needed to do more in order to get an accurate idea of what Mr P's day to day living costs were likely to be – as I don't think it was right to have relied on what he was told and then used national statistics given his pattern of borrowing and what else it knew.

To be clear, just because I think further checks were needed before the agreement was approved, that doesn't mean that this complaint ought to have been upheld. After all it's entirely possible that had Lending Stream made further checks it would've shown the loans were affordable.

Lending Stream could've gone about carrying out further checks a number of ways, it could've asked more detailed questions, it could've obtained copy bills, other necessary documentation or it could've asked to see Mr P's bank statements.

I also accept had Lending Stream conducted proportionate checks it may not have seen all the information that I have seen. But, in the absence of Lending Stream conducting a proportionate check I do think it's entirely fair and reasonable to consider the bank statements that I now have access to.

Had Lending Stream taken a closer look at Mr P's income then it would've seen that what he declared and what it cross checked was broadly accurate. However, the statements would've likely shown Lending Stream that he was reliant on this sort of credit.

In addition to the Lending Stream loan taken at the end of December 2024, Mr P had borrowed two further payday loans from two other companies taking a total of £900 and in addition to repaying his two earlier Lending Stream loans he also repaid over £400 to another payday loan company – all within a matter of weeks before loan 4 was approved.

These short term loans that he was using and repaying coupled with the significant amount of other payments Mr P was making to two loan providers costing £966 per month plus numerous credit cards and the payday loans meant, in my view had Lending Stream taken a closer look at his finances when loan 4 was granted it wouldn't have lent to him as it wasn't affordable nor sustainable.

As it follows that I don't think loan 4 ought to have been granted I've also upheld loan 5 for the same reasons. The bank statements showed no improvement and so that loan wasn't unaffordable either. Taking everything into account, I am upholding Mr P's complaint about these loans.

I can appreciate and understand why Mr P wants a further payment of compensation but I've not seen anything to suggest that Lending Stream needs to do or pay any further award beyond what I've directed below. So I make no further award.

I've also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed below results in fair compensation for Mr P 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 shouldn't have provided loans 4 and 5 and I've set out below what it needs to do in order to put things right for Mr P.

- A. It should add together the total of the repayments made by Mr P towards interest, fees and charges on these loans.
- B. Lending Stream should calculate 8% simple interest* on the individual payments made by Mr P which were considered as part of "A", calculated from the date Mr P originally made the payments, to the date the complaint is settled.
- C. It should pay Mr P the total of "A" plus "B".
- D. Lending Stream should also remove any adverse information it may have recorded on Mr P's credit file in relation to these loans.

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

My final decision

For the reasons given above, I'm upholding Mr P's complaint in part.

Gain Credit LLC trading as Lending Stream should put things right for Mr P as directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 31 July 2025.

Robert Walker
Ombudsman