

## **The complaint**

Miss V complains that Gain Credit LLC, trading as Lending Stream, lent to her irresponsibly.

## **What happened**

In May 2021, Miss V took one loan with Lending Stream. It was for £120, repayable over a term of 177 days, with five monthly instalments of £38.61, followed by one final instalment of around £37.35. The total amount payable, including interest and charges, was £230.40.

From the available information, it appears Miss V began having trouble repaying the loan immediately, as a result she received a Notice of Default in June 2021, following by a further Notice of Default in August 2021. The loan was ultimately terminated in August 2021.

In September 2024, Miss V – via a professional representative (PR) - complained to Lending Stream. In doing so, PR raised a number of points which I won't repeat in detail here. However, in summary, PR said Lending Stream failed to carry out reasonable and proportionate checks and, had it done so, it would have been alerted to the fact this lending was unaffordable and unsustainable.

In November 2024, Lending Stream issued its final response letter in which it did not uphold the complaint. In doing so, it said the checks it carried out suggested the loans would have been affordable for Miss V.

Unhappy with this, PR – on behalf of Miss V - referred her complaint to our service.

One of our investigators reviewed Miss V's complaint and, having done so, they didn't think Lending Stream should've provided the loan to Miss V. In short, the investigator said that Lending Stream carried out reasonable and proportionate checks prior to agreeing to lend; however the output from those checks ought to have alerted Lending Stream to the fact Miss V wasn't left with a reasonable level of disposable income (once the lending in question had been taken into consideration).

Lending Stream disagreed. It remained of the view that Miss V had enough disposable income to meet the cost of this loan and, therefore, it was affordable for her.

As no agreement has been reached, Miss V'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.

The Financial Ombudsman Service has set out its general approach to complaints about irresponsible and unaffordable lending on its website. And, having taken this into account along with everything else I need to consider, I think this complaint should be upheld. I'll explain why.

Lending Stream needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Miss V could repay the loan repayments when they fell due and without the need to borrow further.

These checks weren't prescriptive, but could take into account a number of different things such as how much was being lent, the repayment amounts and the consumer's income and expenditure.

So, in keeping with the information on the Financial Ombudsman Service's website, I think there are a number of overarching questions I need to consider when deciding a fair and reasonable outcome given the circumstances of this complaint:

1. Did Lending Stream carry out reasonable and proportionate checks to satisfy itself that Miss V was likely to have been able to repay the borrowing in a sustainable way?
  - i. If Lending Stream carried out such checks, did it lend to Miss V responsibly using the information it had?

Or
  - ii. If Lending Stream didn't carry out such checks, would appropriate checks have demonstrated that Miss V was unlikely to have been able to repay the borrowing in a sustainable way?
2. If relevant, did Miss V lose out as a result of Lending Stream's decision to lend to her?
3. Did Lending Stream act unfairly or unreasonably in some other way?

There are many factors that could be relevant when determining how detailed proportionate checks should have been. And while much will depend on the circumstances in question, the more obvious factors include – though aren't necessarily limited to:

- The type of credit Miss V was applying for along with the size, length and cost of the borrowing; and
- Miss V's financial circumstances – which included her financial history and outlook along with her situation as it was, including signs of vulnerability and/or financial difficulty.

And generally speaking, I think reasonable and proportionate checks ought to have been more thorough:

- The lower an applicant's income because it could be more difficult to make the repayments as a result;
- The higher the amount repayable because it could be more difficult to meet a higher repayment, especially from a lower level of income; and
- The longer the loan term, because the total cost of the credit was likely to have been greater given the longer time over which repayments have to be made.

As a result, the circumstances in which it was reasonable to conclude that a less detailed affordability assessment was proportionate strike me as being more likely to be limited to applicants whose financial situation was stable and whose borrowing was relatively insignificant and short-lived – especially in the early stages of a lending relationship.

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Miss V's complaint.

*Did Lending Stream carry out reasonable and proportionate checks?*

Prior to agreeing to lend, Miss V was asked to provide details of her net monthly income. Miss V declared a net monthly income of £2,000. Lending Stream has confirmed it used a well known tool provided by a credit reference agency to gauge the accuracy of the income. Lending Stream says the information it received suggested the income was slightly lower than the figure Miss V had declared. Therefore, as part of its lending decision, it calculated Miss V's net monthly income to be £1,818.18.

Miss V was also asked to provide details about her monthly expenditure. Miss V declared monthly expenditure of £1,210. This was broken down as £810 for "normal expenses" and £400 being attributed to "credit- specific expenses".

Lending Stream says it looked at other information such as statistics that relate to the general population, and it considered how much people typically spend with their income. Having done so, it increased Miss V's 'normal expenses' to £1,138.

And, having checked Miss V's existing credit commitments based on information available from credit reference agencies, Lending Stream increased her 'credit-specific expenses' to £589.02.

So, in total, for its affordability assessment Lending Stream believed Miss V's total monthly outgoings came to £1,727.02.

Lending Stream also carried out a credit search and it has provided the results it received from the credit reference agency.

It wasn't a particularly large loan, and the monthly repayments were not substantial in relation to Miss V's declared (and verified) income. Further, this appears to have been Miss V's first loan with Lending Stream. As such, I don't think there was any established pattern in her borrowing needs, at least from Lending Stream, at that stage. Therefore, I think Lending Stream proceeded with a proportionate amount of information.

However, once Lending Stream had the information it thought it needed, it then had to evaluate it because it still had to reasonably assess whether Miss V could afford to meet the loan repayments in a sustainable way over the term of the loan.

*Did Lending Stream lend to Miss V responsibly using the information it had?*

Looking at the credit check Lending Stream carried out, I agree that it doesn't show particular cause for concern. I note that there were two defaults present but the most recent of these was applied 21 months prior to the lending in question; so, it could reasonably be considered historic. It did appear Miss V was rather indebted (her total unsecured indebtedness was £16,591 spread across 16 active accounts). However, in my view, there was not the level of recent adverse information which would have given Lending Stream cause for concern such that it should not have agreed to lend.

Aside from that, though, the issue here – in my view – is the results of Lending Stream’s assessment of Miss V’s income and expenditure. In particular, I think the key issue in this case is the amount Miss V had left over each month once her expenses, including the loan in question, were taken into account.

From what I’ve seen, after subtracting her general expenditure, but before applying the cost of this loan, Miss V had £91.16 left each month. Taking into account the repayments for the lending in question, Miss V would have been left with £52.55 each month.

Lending Stream’s view is that this means the loan it provided Miss V was affordable for her. When viewing this on a strict pounds and pence basis, that’s not wrong – Miss V did seemingly have enough to meet the repayments.

But the crucial point here is considering whether Miss V was left with a reasonable margin to meet any unexpected costs. In these circumstances, I don’t think Miss V was left with that reasonable margin. In my view, having just £52 left each month, for a period of six months which is not an insignificant period of time, to meet unexpected costs which surely occur in day-to-day life, left Miss V 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 Miss V.

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 would consider that leaving Miss V with just £52 every month to meet any other costs did have a significant adverse impact on her financial situation. It’s very unlikely she’d be able to absorb any unexpected costs which – in my view - are likely to arise over the course of six months. 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.

In summary, having thought about the level of disposable income Miss V had at the time and, in the circumstances of this particular case, I don’t think it was enough to allow Lending Stream to fairly lend.

*Did Lending Stream act unfairly or unreasonably in some other way?*

Finally, I’ve considered whether the relationship between Miss V 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 below results in fair compensation for Miss V in the circumstances of her complaint. I’m satisfied, based on what I’ve seen, that no additional award would be appropriate in this case.

### **Putting things right**

It’s reasonable for Miss V to have repaid the capital amount that she borrowed as she had the benefit of that money. But she has paid interest and charges on a loan that shouldn’t have been given to her. So, she has lost out and Lending Stream must put things right.

Lending Stream should add up the total repayments Miss V has made and deduct these from the total amount of money she received:

- a) if this results in Miss V having paid more than she 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 Miss V's credit file.
- b) If, however, any capital balance remains outstanding, then Lending Stream should arrange an affordable and suitable payment plan with Miss V. Once Miss V has cleared the balance, any adverse information in relation to the account should be removed from her credit file.
- c) It is my understanding that Lending Stream has sold the debt to a third party. Therefore, 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 Miss V a certificate showing how much tax it's taken off if she asks for one.

### **My final decision**

My final decision is that I uphold Miss V'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 Miss V to accept or reject my decision before 15 October 2025.

Ross Phillips  
**Ombudsman**