

## The complaint

Mrs M complains that Gain Credit LLC, trading as Lending Stream, lent to her irresponsibly.

## What happened

Mrs M took two loans with Lending Stream as follows:

Loan No.	Loan Amount	Agreement date	Settlement date	Term (months)	Monthly repayment
1	£490	31/05/2022	26/10/2022	6	£160.72
2	£540	06/12/2022	25/02/2023	6	£171.42

In October 2024, Mrs M complained to Lending Stream. In doing so, Mrs M said Lending Stream failed to carry out proper checks and, if it had done so, it would have been clear that she was unable to pay these loans without having to borrow further. Therefore, Mrs M says Lending Stream shouldn't have given these loans to her.

In December 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 Mrs M.

Unhappy with this, Mrs M referred her complaint to our service.

One of our investigators reviewed Mrs M's complaint. In May 2025, the investigator issued their first opinion in which they said Lending Stream should not have provided the loans. In short, the investigator said that Lending Stream carried out reasonable and proportionate checks prior to agreeing to lend. However, the investigator said the output from those checks ought to have alerted Lending Stream to the fact Mrs M wasn't left with a reasonable level of disposable income (once the lending in question had been taken into consideration).

In June 2025, the investigator looked at matters again and issued a second opinion. The investigator's overall opinion remained unchanged. With regards to Loan 1, the investigator maintained that Mrs M was not left with a reasonable level of disposable income. And, with regards to Loan 2, the investigator said that there was sufficient evidence Mrs M was experiencing financial hardship at the time this loan was advanced such that she would be *"unable to sustainably manage new credit"*.

Lending Stream disagreed. As a result, Mrs M'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 Mrs M 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 Mrs M 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 Mrs M responsibly using the information it had?

Or
  - ii. If Lending Stream didn't carry out such checks, would appropriate checks have demonstrated that Mrs M was unlikely to have been able to repay the borrowing in a sustainable way?
2. If relevant, did Mrs M 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 Mrs M was applying for along with the size, length and cost of the borrowing; and
- Mrs M'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 Mrs M's complaint.

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

Prior to agreeing to lend, Mrs M was asked to provide details of, amongst other things, her employment status and her net monthly income.

During her application for Loan 1, Mrs M declared she was working part-time with a net monthly income of £1,000.

And, for Loan 2, Mrs M declared she was working part-time with a net monthly income of £1,200.

Mrs M was also asked to provide details about her monthly expenditure across various categories, including rent/mortgage, utilities, travel, food and beverages and 'miscellaneous'. Lending Stream describe these as 'normal expenses'.

For Loan 1, Mrs M declared normal expenses of £440. And for Loan 2, Mrs M declared normal expenses of £525.

Lending Stream says it considered statistics that relate to the general population which look at how much people typically spend with different levels of income. Having done so, it increased Mrs M's normal expenses to £633 for Loan 1 and to £734 for Loan 2.

Lending Stream also asked Mrs M to declare how much she was spending per month on her existing credit commitments. For Loan 1, Mrs M declared she was paying £150 each month towards her existing credit commitments. And, for Loan 2, Mrs M declared she was spending £75 each month towards her existing credit commitments.

And, having checked Mrs M's existing credit commitments based on information available from credit reference agencies, Lending Stream was satisfied the figure Mrs M declared for Loan 1 (£150) was accurate, and it made an upward adjustment to the figure Mrs M declared for Loan 2 to £116.14.

So, in total, for its affordability assessment Lending Stream believed Mrs M's total monthly outgoings came to £783 for Loan 1 and to £850 for Loan 2.

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

These were not particularly large loans and, what's more, these appear to have been Mrs M's first loans 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 Mrs M could afford to meet the loan repayments in a sustainable way over the term of the loan.

*Did Lending lend to Mrs M responsibly using the information it had?*

At this juncture, I will address each loan separately for ease of reference.

#### Loan 1

On my reading of the credit file data Lending Stream obtained prior to agreeing Loan 1, it looks like Mrs M had a total unsecured indebtedness of about £3,250 which wouldn't have been of much concern.

I note a number of defaults were evident but the most recent of these was applied around two years prior to the lending in question; so, it could reasonably be considered historic. And, therefore, I don't think this would have given Lending Stream sufficient cause to gather more information or otherwise refuse to lend.

I do, however, think there were other indicators that Mrs M may have been struggling to manage her finances. I say this because I can see there was a delinquency marker applied to a telecommunications account just a few weeks prior to the provision of Loan 1.

Further, I can see Mrs M was using about 89% of her available revolving credit - and she was at the limit (or within a couple of pounds of the limit) on three different revolving credit facilities.

But the key issue here is, in my view, the results of Lending Stream's assessment of Mrs M's income and expenditure which indicated she was left with only about £56 each month once her expenses, including repayments towards Loan 1, were taken into account.

I acknowledge this renders the loan affordable for Mrs M on a strict "pounds and pence" basis – after all Mrs M did seemingly have enough to meet the repayments. But the crucial point here is considering whether Mrs M was left with a reasonable margin to meet any unexpected costs which surely occur in day-to-day life over the course of six months. And this may leave Mrs M in a precarious financial position. I say this particularly in light of the other indicators of potential financial difficulties evident on her credit file

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 Mrs M, for the most part, with £56 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 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.

In response to the investigator's first set of findings, Lending Stream noted that it adopted what it called a "*conservative method*" when conducting its income and expenditure

assessment – which included making an upward adjustment to the ‘normal expenses’ figure Mrs M had declared. It went on to say that if this adjustment had not been made – in other words if it had relied solely on Mrs M’s declaration - it would have appeared she had more disposable income

I acknowledge lenders like Lending Stream are entitled to expect prospective borrowers to answer questions about their financial circumstances in good faith. However, CONC as I read it, anticipated that applicants may not always provide entirely accurate information. After all, that’s why the rules and guidance at the time in question asked lenders to ensure that they had clear and effective processes and procedures in place to assess affordability (CONC 5.3.2R) – which included taking adequate steps to ensure that the information provided by an applicant was complete and correct (CONC 5.3.3G).

In the circumstances of this case, as I’ve said, I think relying on statistical data to calculate Mrs M’s expenses was reasonable way of calculating Mrs M’s likely outgoings, rather than relying solely on her declaration. But, having done so, Lending Stream then had to apply the output from that check fairly. And, for the reasons I’ve explained, I don’t think it did here.

Ultimately, the minimal level of disposable income Mrs M had at the time – twinned with a recent delinquency and high revolving credit utilisation - leads me to conclude that, in the circumstances of this case, Lending Stream did not act fairly when it agreed to lend.

I note that a document titled *Stated and Revised Expenses* (provided to our service after the investigator’s assessment) seems to suggest Lending Stream made a (albeit minor) upward adjustment to Mrs M’s declared income prior to agreeing to lend. This document appears to suggest that it used a figure of £1,038.32. I am unclear how this figure was arrived at. What’s more, this runs contrary to the rest of the information Lending Stream has provided which all suggests it used the figure of £1,000 (this being the figure Mrs M had declared in her application).

And, perhaps most importantly, Lending Stream does not appear to dispute that it calculated Mrs M’s disposable income as £56 prior to agreeing to lend. With that being the case, I don’t feel the need to explore this discrepancy further.

Notwithstanding this, if I were to assume Lending Stream used an income figure of £1,038.32, noting this is only a minor increase on the figure Mrs M declared, it doesn’t change my overall opinion (or the reasons for it) regarding its decision to lend.

For the reasons I’ve explained, I don’t think Lending Stream acted fairly when it approved Loan 1.

## Loan 2

On my reading of the credit file data Lending Stream obtained prior to agreeing Loan 2, it looks like Mrs M had a total unsecured indebtedness of about £2,998 – a slight decrease on her overall indebtedness during the application for Loan 1. This wouldn’t have been of much concern.

However, a deeper look at the credit search data shows some clear signs Mrs M was having trouble managing her money.

I say this because, on my reading of the data, it appears Mrs M had a total of five active revolving credit facilities at the time. Of these, Mrs M was over the agreed limit on three of the accounts (two Revolving Credit/Budget accounts and one Home Shopping account). And she within a few pounds of the limit on the other two.

Further, I note a default had been applied to a telecommunications account just four months earlier.

I think the fact Mrs M was utilising nearly all of her available credit and was actually in breach of the credit agreement on three accounts, twinned with a relatively recent default, was sufficient to suggest that Mrs M was having trouble managing her money and may have been reliant on credit to make ends meet. I say this noting that Mrs M was returning to Lending Stream for increased borrowing soon after settling Loan 1.

Mrs M was required to commit around 13% of what Lending Stream understood to be her monthly income to Loan 2 for a period of six months at a time when she was seemingly having difficulty maintaining her existing credit commitments. It is in that context that the information Lending Stream gathered prior to agreeing to lend ought, in my view, to have raised concerns about Mrs M's ability to *sustainably* repay the borrowing in question without undue difficulty.

So, I don't think Lending Stream acted fairly when it approved Loan 2.

Indeed, in the event, it is my understanding that Mrs M did experience problems repaying Loan 2 just a few months after taking it out which resulted in the implementation of temporary payment arrangements. I can see Mrs M did go on to settle Loan 2 early but, as I understand it, this was achieved through further borrowing.

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

In reaching my conclusions, I've also considered whether the lending relationship between Lending Stream and Mrs M might have been unfair to Mrs M under section 140A of the Consumer Credit Act 1974.

However, I'm satisfied that what I'm directing Lending Stream to do results in fair compensation for Mrs M given the overall circumstances of her complaint. For the reasons I've explained, I'm also satisfied that, based on what I've seen, no additional award is appropriate in this case.

Having carefully considered everything that has been said by both parties, I uphold this complaint and direct Lending Stream to put things right in the way I have set out below.

### **Putting things right**

I think that Mrs M has lost out because Lending Stream provided these loans when it shouldn't have.

It looks like both loans were settled several years ago. But, if that is not the case and Lending Stream has sold any outstanding debt relating to these loans, then it should buy this back if it is able to do so and then take the following steps. If Lending Stream isn't able to buy back the debt, then it should liaise with the new debt owner to achieve the results outlined below.

- A. Lending Stream should add together the total of the repayments made by Mrs M towards interest, fees and charges for Loans 1 and 2;
- B. It should then calculate 8% simple interest\* on the individual payments made by Mrs M which were considered as part of "A", calculated from the date Mrs M originally made the payments, to the date the complaint is settled.

C. Lending Stream should pay Mrs M the total of “A” plus “B”.

D. Lending Stream should remove any *adverse* information it has recorded on Mrs M's credit file in relation to Loans 1 and 2.

† HM Revenue & Customs requires Lending Stream to take off tax from this interest. Lending Stream must give Mrs M 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 this complaint. I require Lending Stream to put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 9 December 2025.

Ross Phillips  
**Ombudsman**