

The complaint

Mr N complains that Gain Credit LLC trading as Lending Stream (“Lending Stream”) gave him a loan without carrying out sufficient affordability checks. Had better checks been made Lending Stream would’ve realised he couldn’t afford the repayments.

What happened

In July 2024, Mr N was granted one instalment loan of £400. He was due to make five monthly payments of £135.34 followed by a final payment of £123.30. An outstanding balance remains due, and Mr N is repaying the loan through a repayment plan.

Following Mr N’s complaint, Lending Stream explained why its checks were proportionate and showed the loan to be affordable. Mr N then referred the complaint to the Financial Ombudsman.

The case was then considered by an Investigator, who didn’t uphold it. Mr N didn’t agree with the assessment, saying, he had several defaults recorded on his credit file at the time.

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 N could afford to pay back the amount 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 N’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 N. These factors include:

- Mr N 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 N having a large number of loans and/or having these loans over a long period of time (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable);

- Mr N 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 N. The Investigator didn't believe this applied to Mr N's complaint. I agree, considering only one loan was approved.

Lending Stream was required to establish whether Mr N could *sustainably* repay the loan – 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 Mr N 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 N's complaint.

Mr N told Lending Stream his income was £2,400 per month. He also declared his monthly outgoings were £1,000 per month – which included existing credit commitments.

However, it seems Lending Stream may not have just relied on what it was told by Mr N. Lending Stream in most lending decisions uses a third party to check an applicant's income. Lending Stream didn't make any adjustments to the income Mr N declared so it's possible the check came back that the income was accurate.

However, it's not clear whether this income was checked and so I've thought about whether that makes a difference in this case. However, if no check was carried out that wouldn't alter the income when thinking about the amount Mr N borrowed, his monthly payment and his declared income wouldn't have been wrong for Lending Stream to have solely relied upon what it was told.

Lending Stream then went about checking Mr N's 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 their income on. Having carried out this further check, Lending Stream didn't increase Mr N's living costs, but it did add an additional £14 to cover the credit commitments Lending Stream was told about.

I've thought about whether it was fair for Lending Stream to have relied on statistical data, but this is allowed under the regulations and there wasn't anything in the information that was provided to have made it think the checks into Mr N's income on expenditure needed to go further.

Lending Stream also carried out a credit search and it has provided the 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. So, I've 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 N's application.

Lending Stream was told about some adverse payment information. It knew that Mr N had defaulted on seven accounts, and it knew the most recent default had been recorded around 14 months before the loan was approved.

This would've told Lending Stream that over a year before there were some financial difficulties that led to at least one account defaulting. It's possible the other accounts defaulted at around the same sort of time – Lending Stream doesn't appear to know but it wouldn't make any difference to the outcome I've reached had it known.

Given there wasn't any recent adverse payment data, such as missed payments, I think, for a loan where Mr N was committed to paying around £135 per month, it would've been reasonable for Lending Stream to have placed less weight on the historic defaults when deciding in July 2024 whether it was likely Mr N was experiencing financial difficulties at the time of the application.

And there wasn't anything from the credit search results that would've prompted further checks. It's of course possible, that the £14 per month Lending Stream worked out Mr N was due to pay each month was insufficient to cover the payments towards his total debt which at the time stood at £10,000. But some of this balance may well have been the defaulted accounts.

But given the amount of disposable income Lending Stream had calculated, I'm satisfied on balance Lending Stream would've felt there was sufficient disposable to cover any other costs as well as the loan payment.

The uplifts that Lending Stream applied to the monthly living costs and Mr N's credit commitments still demonstrated that there was sufficient disposable income to afford the payments.

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 or to have declined the application.

In my view, Lending Stream carried out proportionate checks which demonstrated to it that Mr N would likely be in a position to afford to take on the loan. I do not uphold the complaint.

An outstanding balance remains due, and I would remind Lending Stream of its obligation to treat Mr N fairly and with forbearance while discussing a way forward.

Finally, I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Lending Stream lent irresponsibly to Mr N or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

For the reasons given above, I am not upholding Mr N's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 11 February 2026.

Robert Walker
Ombudsman