

The complaint

Mr M complains through a representative that Gain Credit LLC trading as Lending Stream (“Lending Stream”) gave him loans without carrying out sufficient affordability checks.

What happened

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

loan number	loan amount	agreement date	repayment date	number of monthly instalments	Largest repayment per loan
1	£80	16/09/2017	15/10/2017	6	£30.79
break in lending					
2	£200	19/10/2024	13/01/2025	6	£72.02
3	£500	12/12/2024	13/01/2025	6	£153.81
4	£300	19/12/2024	13/01/2025	6	£107.04

The ‘largest payment per loan’ column is the cost per loan, where loans overlapped the cost would be greater. For example, when loans 2 to 4 were running concurrently Mr M was due to pay Lending Stream £332.87 a month.

Following Mr M’s complaint Lending Stream wrote to his representative to explain why it wasn’t going to uphold it. Mr M referred the complaint to the Financial Ombudsman where the case was considered by an Investigator who partly upheld the complaint about loan four only.

Mr M – through his representatives agreed with the proposed outcome but Lending Stream didn’t, saying.

- Lending Stream used an online tool to check Mr M’s income.
- Lending Stream adjusted the figures given to it by Mr M using the Office of National Statistics data and even with the adjustments the loan looked affordable.
- Mr M borrowed in two separate lending chains.
- The credit checks didn’t suggest further checks were needed.

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 M 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 M'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 M. These factors include:

- Mr M 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 M 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 M 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 M. The Investigator didn't believe this applied to Mr M's complaint and I agree.

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

Loan 1 – 3

The Investigator didn't uphold Mr M's complaint about these loans and neither Mr M nor Lending Stream disagreed with the outcome that was reached. These loans are no longer in dispute and so this decision will concentrate on loan 4.

Loan 4

For completeness, I do agree with Lending Stream that there are two chains of borrowing here. Loan 1 and then loans 2 – 4. I've kept that in mind while looking at this loan.

Mr M declared an income of £1,664 per month. Lending Stream didn't just accept what it was told, it used a tool provided by a third party to check the accuracy – no adjustments were made indicating what Mr M had declared was likely to be accurate.

I've also seen that there were some discrepancies in Mr M's applications data about whether he was working full time or part time. For example, at loan 3 he declared he worked part time but for this loan that had changed to full time. I don't think this ought to have automatically led to further checks given Mr M's income was cross checked with a third party.

Mr M declared outgoings of £576. Lending Stream went about cross checking that using information such as available statistics that relate to the general population and it considered how much people typically spend with their income. Using available statistics is permitted by the regulations and I think it was fair they were used here. Having carried out this further check, Lending Stream increased Mr M's living costs up to £1,116.99 per month.

Lending Stream also carried out a credit search, 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.

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 M's application.

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

Although, Lending Stream did know that Mr M had debts of over £18,000 that was already costing him around £500 per month – against his income of £1,660 Lending Stream was already on notice that around 30% of his income was being spent on existing credit commitment. This, coupled with Mr M's payments just to Lending Stream reaching nearly £330 per month, and the fact he was returning for a further loan a week after this previous one, would now leave him having three outstanding loans.

Thinking about all of these factors – I do agree with the Investigator that further checks were needed before the final loan was granted. I fully accept Lending Stream's checks didn't suggested the loan was affordable. But, given the large monthly repayment that Mr M was going to have to pay, on top of his existing credit commitments and him returning for a further loan then I do think Lending Stream's checks needed to go further before loan 4 was granted.

In these circumstances, I do think Lending Stream needed to do more in order to get an accurate idea of what Mr M's income was as well as his 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 use national statistics given his continued need for credit.

To be clear, just because I think further checks were needed before loan 4 was approved, that doesn't automatically lead to the complaint being upheld. After all it's entirely possible that had Lending Stream made further checks it would've shown the loan was 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 M's bank statements.

I 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 steps to verify the income – rather than relying on the credit reference agency tool it would've realised his income wasn't as high as it had when checked – it was £1,450 per month.

And I do think that had Lending Stream looked at Mr M's bank statements or taken other steps to check his monthly outgoings – then it would've seen that his monthly outgoings for things such as rent, other creditors, insurance and power for example came to around £1,200 per month. But this does exclude things such as food – and his existing Lending Stream loan payments.

But of course, he had to make payments to Lending Stream and with loan 4 that was costing him over £330 per month, than he didn't have enough disposable income to take on any further loans.

It also worth saying here that Mr M was also using other payday loans – and so by the time the fourth loan was granted he had at least four such loans outstanding. Which Lending Stream may have discovered and therefore ought to have realised this loan wasn't sustainable for him either.

I am therefore upholding Mr M's complaint in part.

I've also considered whether the relationship 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 Mr M 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 loan 4.

- A. Lending Stream should add together the total of the repayments made by Mr M towards interest, fees and charges on loan 4.
- B. It should calculate 8% simple interest* on the individual payments made by Mr M which were considered as part of "A", calculated from the date Mr M originally made the payments, to the date the complaint is settled.
- C. Pay Mr M the total of "A" plus "B".
- D. Remove any adverse information you have recorded on Mr M's credit file in relation to loan 4.

*HM Revenue & Customs requires Lending Stream to deduct tax from this interest. It should give Mr M 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 M's complaint in part.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 26 February 2026.

Robert Walker
Ombudsman