

## The complaint

Mr R complains 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 R’s borrowing can be found in the table below.

loan number	loan amount	agreement date	repayment date	number of monthly instalments	Largest repayment per loan
1	£150	25/11/2022	28/11/2022	6	£51.05
gap in lending					
2	£160	26/09/2023	29/09/2023	6	£55.06
3	£200	15/10/2023	31/10/2023	6	£60.70
4	£300	21/10/2023	31/10/2023	6	£105.56
5	£300	18/11/2023	01/12/2023	6	£108.16
6	£450	22/11/2023	01/12/2023	6	£158.35
gap in lending					
7	£1,100	09/06/2024	outstanding	6	£346.50
8	£320	08/07/2024	outstanding	6	£102.39
9	£190	23/08/2024	28/08/2024	6	£66.94
10	£400	16/09/2024	outstanding	6	£120.30

Mr R referred the complaint to the Financial Ombudsman where the case was considered by an Investigator who partly upheld the complaint about loan 2 and loans 7 – 10. Lending Stream agreed to put things right for loan 2 but it didn’t agree with the outcome in relation to loans 7 to 10.

The complaint was passed to me to decide, and I issued a provisional decision saying only loans 2 and 10 should be upheld. Both parties were asked to provide any further comments as soon as possible, but no later than 9 February 2026.

Lending Stream responded and agreed with the findings in the provisional decision.

Mr R didn’t agree with the findings in the provisional decision in relation to loans 7, 8 and 9. I’ve summarised his response below.

- During the periods of time when there were breaks in lending Mr R continue to borrow from other high cost lenders.
- During the break Mr R went into a repayment plan with another lender and that plan failed – which he says shows he was experiencing financial difficulties.
- Mr R’s overall pattern of borrowing – from Lending Stream and other creditors showed that he was in financial difficulties and the loans were unsustainable.
- Mr R pointed out the gap between loans 6 and 7 is around six months and not the nine months I had quoted.

- And Mr R provided reference numbers for other decisions from the database that show a gap in lending of six months may not be sufficient to 'break the chain'.
- Loan 7 was a significant increase in borrowing compared to the previous loan and that should've triggered further checks.
- Mr R signed posted me to various parts of CONC 5.2 including 5.2A.7R and 5.2A.20R – given the large increase in borrowing and his existing indebtedness there was scope for further checks.
- Mr R disagreed that the adverse credit file data Lending Stream received for loan 7 should've prompted further checks.
- Lending Stream would've known that he had previous repayment problems in October 2023 – and CONC 5.2A.23G says that other knowledge ought to have fed into the affordability checks.
- The overall pattern of lending was harmful for loans 7 – 9 in line with CONC 6.7.22G.

A copy of the provisional findings follows this in smaller font and italics and forms part of this final decision.

### **What I said in my provisional decision:**

*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 R 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 R'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 R. These factors include:*

- *Mr R 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 R 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 R 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 R. The Investigator said this was relevant in Mr R's complaint from loan 7. But I disagree with this because there are breaks in lending which have the effect of resetting the relationship. As such, while Mr R did take 10 loans there wasn't in my view a sufficient number in each chain for this to apply.*

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

## **Loan 1 and loans 3 – 6**

*The Investigator didn't uphold Mr R's complaint about these loans and neither Mr R nor Lending Stream appear to disagree with this. I've, therefore, not looked at these loans any further as they are no longer in dispute.*

## **Loan 2**

*Lending Stream has already accepted this loan ought to not have been granted and so I say no more about it. But I have set out at the end of this decision what it needs to do and has already agreed to do, in order to put things right for Mr R.*

## **Loan 7**

*Mr R repaid loan 6 and then didn't return for further borrowing from Lending Stream for a period of 9 months. In my view this is a significant enough gap to in effect break the lending chain and so it was reasonable for Mr R to be treated as if he was a new customer.*

*So, although this was his seventh loan, Lending Stream could've treated him as if this was the first loan of a new chain and this does have implications for the level of checks it was reasonable and proportionate for Lending Stream to have carried out.*

*This also means that I disagree with the Investigator's assessment that this loan was unsustainable because I can't fairly argue that Mr R was so reliant on the loans from Lending Stream that at loan 7 it ought to have refused his application. And I cannot ignore the break in borrowing.*

*This doesn't mean Lending Stream failed to conduct proportionate checks, merely, that there was for the purpose of this loan no indication of repeat lending in line with our approach. I've reconsidered this loan (and the rest of the loans in this chain) as a separate lending event. This is consistent with the well-established approach taken by the Financial Ombudsman when reviewing these sorts of complaints.*

*Mr R declared to Lending Stream his income was around £4,400 per month. He also declared monthly outgoings of no more than £2,030 per month – which included existing credit commitments.*

*However, Lending Stream didn't just rely on what it was told by Mr R. Lending Stream says it used a third-party income checking tool provided by a credit reference agency. The results of which supported Mr R's declaration. For a first loan of a new chain this check at loan 7 was proportionate.*

*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 using their income. It also carried out a credit search to find out about Mr R's existing commitments. Given this was the first loan in this lending chain, the use of statistical data and a credit search was reasonable.*

*Having carried out this further check, Lending Stream increased Mr R's outgoings to £2,849.14 per month. Even with this increase this still left enough disposable income to afford the loan payments.*

*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. 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 R's application.*

Firstly, the results didn't show any adverse credit file data – there was one recorded default and one account had just been in arrears. I've thought about whether this adverse information ought to have prompted further checks. And I don't think it would've done.

I say this bearing in mind this was the first loan of a new chain and the marketplace that Lending Stream operates in means that it's not unexpected if there was some adverse payment information. Overall, the information didn't suggest Mr R was having financial difficulties to the extent that he couldn't afford the monthly payments towards this loan.

Lending Stream was told that Mr R had no more than 14 active credit accounts owing no more than around £18,000 to other creditors. Lending Stream was told it was costing Mr R around £800 per month to service this debt and I can see that it used this figure as part of the affordability assessment – this seems reasonable.

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 R 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 R's complaint about this loan.

### **Loan 8 – 10**

For the remaining loans Lending Stream carried out the same checks – it asked for and cross-checked Mr R's income which remained broadly similar at around £4,600 per month. Taking account of the information Mr R provided about his outgoings and the additional checks undertaken by Lending Stream it knew his outgoings didn't likely exceed £3,100.

The credit checks conducted didn't suggest that Mr R was having or likely having financial difficulties. The default that Lending Stream knew about at loan 7 had for some reason been removed from the results. Mr R also didn't have any accounts in arrears at the time and his existing credit commitments didn't exceed £1,100 per month. Based on the checks that Lending Stream did do, the loans appeared affordable.

However, in saying that, I don't think the checks before granting loan 10 were proportionate. This was now Mr R's fourth loan in three months, was taken only a matter of weeks after loan 9 had been repaid and while loans 7 and 8 were still outstanding. With loan 10 being approved, Mr R was due to make monthly repayments to Lending Stream of nearly £570.

I fully accept Mr R had a good income and the checks that Lending Stream did do suggested the loan was affordable. But, given the large monthly repayment that Mr R 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 10 was granted.

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

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 R'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 a closer look at Mr R's income then it would've seen that what he declared and what it cross checked was broadly accurate. I can see that Mr R received his salary into the account which he provided to Lending Stream. There are some bills on this account but he also

*moved a significant portion of his income to another account in his name which had further living costs as well.*

*Having looked at both sets of bank statements there are numerous returned direct debits in July 2024 there are a total of 9 returned direct debits for items such as council tax, utilities and his other credit commitments. Indeed, the energy bill is attempted to be taken on a least three occasions failing each time. A similar pattern is also evidence in the August 2024 statement as well – multiple direct debits fail. This is important because the industry regulator in CONC 1.3 says that multiple returned direct debits is a sign that a consumer is in financial difficulties and a review of his bank statements would've shown this.*

*I'm therefore satisfied that further check by Lending Stream would've indebted that Mr R wasn't in a position to take on any further borrowing because he was already having significant problems meeting his priority payments – before any further funds were advanced.*

### **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.

I've thought about the comments that Mr R has provided in response to the provisional decision but I still only upholding loans 2 and 10 and I've explained why below. To be clear the below only deals with Mr R's comments in relation to loans 7 to 9 because there is agreement about the outcome on the rest of the loans.

In response to the provisional decision Mr R made a number of references to CONC 5.2A – which is the regulations and guidance that I thought about when considering his complaint. If I've not mentioned one part specifically it isn't that I've not thought about it but that I'm satisfied that I had already considered it as part of the initial review of his complaint.

Turning to the gap in lending. Mr R is quite correct to point out the gap is just over the six months rather than nine months as I had said in the provisional decision. This was a typo but that doesn't lead to a change in outcome. I say this because even in my view, the circumstance of the complaint means that a six-month gap was sufficient for Lending Stream to have considered loan 7 the start of a new lending chain.

Mr R has provided examples of decisions from the Financial Ombudsman's database – in both cases the gap was around five months and here are other considerations that were made in those cases – such as how long the consumer had spent in debt prior to the breaks. And it's worth saying here that each case is considered on its own merits and so the decision of another Ombudsman doesn't create a precedent that I am bound to follow.

In the circumstances of this case, Mr R for loans 2 – 6 had been indebted to Lending Stream for around three months before not returning for further borrowing for six months. I'm therefore satisfied the gap was large enough to break the chain of lending. As a result of the break in lending chain loan 7 became in effect the first loan of a new chain – so loan 1.

That does impact a proportionate check – it means that Lending Stream could in effect rest the checks – so I'd have not expected to see detailed checks such as a bank statement review unless there was cause in the data it did gather to suggest that was the correct course of action.

That does have implications for what may constitute a proportionate check – and while Mr R has provided details of problems repaying a Lending Stream loan in October 2023 there had been in my view sufficient time passed for Lending Stream to not have been as concerned.

Especially as the loans in the previous chain had been repaid earlier than planned and so I'm satisfied this is consistent with CONC 5.2A.23G.

Turning to the checks Lending Stream conducted at the time of loan 7, Mr R says that he was in a poor financial position with lots of other payday loans, missed payments and defaults. And he had problems repaying other payday loans at around this time.

As I said in the provisional decision, a credit check was carried out but the results given to Lending Stream may not have been as detailed as what Mr R can see in his own credit report. And if other creditors report to different credit reference agencies to the one used by Lending Stream than information about all his other creditors may not have been available to Lending Stream.

Lending Stream was told – when loan 7 was granted that there had been a default reported 12 months prior to the loan. I do think given the circumstances; it was reasonable for Lending Stream to place less weight on that default as a sign that Mr R was having or likely having financial difficulties. And while it knew that Mr R had 18 active accounts and owed around £18,700 this was a reduction in number of active accounts from loan 6 and Mr R's overall indebtedness had reduced by around £4,000 from the last time he borrowed.

There was a recent missed payment but there wasn't else anything in the information that I've seen to suggest that it was a systemic problem or that Mr R was experiencing at the time.

For loan 7, while Lending Stream was told that Mr R's credit commitments came to £844 per month compared to his declared income and the cross-checked living costs this wasn't a sign that Mr R was likely having problems repaying his existing creditors.

I've also considered the overall pattern of lending from Lending Stream and Mr R is of course correct that CONC 6.7.22 says

*“A firm should not allow a customer to enter into consecutive agreements with the firm for high-cost short-term credit if the cumulative effect of the agreements would be that the total amount payable by the customer is unsustainable.”*

However, I don't think this applies to loans 7 to 9 bearing in mind that loan 7 was the first loan of a new chain And even when loans overlapped, I was satisfied that the checks were proportionate and commensurate to the information Mr R had provided and the results of its own checks. So, I don't think for these loans the pattern of lending which was displayed would've been overly concerning when the loans looked affordable.

And of course, this guidance from CONC is specific to Lending Stream – saying that it shouldn't allow a consecutive agreement where the impact on Mr R was unsustainable. It therefore wouldn't be reasonable to say that when loan 7 started that Lending Stream ought to have realised the loan was unsustainable – given this was the first loan for six months when the checks it carried out showed the loan to be affordable.

And while I do agree with Mr R that loan 7 was his largest loan from Lending Stream and a significant increase over what he had previously borrowed, I'm still of the opinion the checks were proportionate before this loan was approved (as well as loans 8 and 9) and the checks demonstrated that Mr R had sufficient disposable income to be able to afford his repayments.

I acknowledge that Mr R's financial position was more precarious than what he told Lending Stream and what was shown in its own checks, but as the requirement by Lending Stream is

to conduct proportionate checks. And given the applications overall, how much Mr R borrowed weighed up against the information he gave to Lending Stream and what it found out from its own checks for loans 7 to 9. It would've been disproportionate for Lending Stream to have considered his bank statements or verified his circumstances any further.

I am therefore only upholding Mr R's complaint about loans 2 and 10.

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 R 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 2 and loan 10.

If Lending Stream has sold the outstanding debt it should try and buy it back if it is able to do so and then take the following steps. If Lending Stream can't buy the debt back 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 Mr R towards interest, fees and charges on all upheld loans without an outstanding balance.
- B. It should calculate 8% simple interest\* on the individual payments made by Mr R which were considered as part of "A", calculated from the date Mr R originally made the payments, to the date the complaint is settled.
- C. Lending Stream remove all interest, fees and charges from the balance from loan 10, and treat any repayments made by Mr R as though they had been repayments of the principal on all outstanding loans. If this results in Mr R having made overpayments then these should refund these overpayments with 8% simple interest\* calculated on the overpayments, from the date the overpayments would have arisen, to the date the complaint is settled.
- D. Refund the amounts calculated in "A" and "B" and move to step "E".
- E. If there is still an outstanding balance, then the amounts calculated in "A" and "B" should be used to repay any balance remaining on outstanding loan 10. If this results in a surplus, then the surplus should be paid to Mr R. However, if there is still an outstanding balance then Lending Stream should try to agree an affordable repayment plan with Mr R.
- F. Lending Stream should remove any adverse information recorded on Mr R's credit file in relation to loans 2 and 10.

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

### **My final decision**

For the reasons I've explained above and in the provisional decision, I'm upholding Mr R's complaint in part.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 13 March 2026.

Robert Walker  
**Ombudsman**