

The complaint

Mr R complains that Lending Stream lent to him irresponsibly.

What happened

In September 2023, Mr R took one loan with Lending Stream. It was for £460 and it was repayable through five monthly instalments of £162.66, and one final instalment of £106.70.

From the available information, it appears Mr R began having trouble repaying the in around January 2024 at which time he entered into a payment arrangement under which he was making reduced payments. The payment plan was due to run until December 2025 but, according to the Statement of Account, the last payment made under the plan was in September 2025. Therefore, as I understand it and in the absence of anything to suggest otherwise, a balance remains outstanding.

In July 2025, Mr R complained to Lending Stream. Mr R said (amongst other things) that Lending Stream issued the loan “*without adequate consideration of [his] precarious financial circumstances at the time*”. And, had it done so, Mr R says Lending Stream would have been alerted to the fact this lending was unaffordable and unsustainable.

In September 2025, 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 loan would have been affordable for Mr R.

Unhappy with this, Mr R referred his complaint to our service.

One of our investigators reviewed Mr R’s complaint and, having done so, they issued their first opinion in October 2025. In short, the investigator didn’t think Lending Stream should’ve provided the loan to Mr R because its own checks revealed Mr R was left with insufficient disposable income (once repayments towards the lending in question had been factored in) to “*account for possible financial emergencies or unexpected bills that may arise*”.

Lending Stream did not agree and, in doing so, provided some further information.

As a result, the investigator issued their second opinion in November 2025 in which they reached a different outcome. In short, the investigator said that Lending Stream “*adopted a more cautious review of [Mr R’s] expenses and based on the actual income figures, [his] committed expenditure was around £1,047.13 less than the inflated figures provided [so Mr R’s] disposable income was around £1,096.67 rather than £49.54*”. And, on that basis, the investigator did not think Lending Stream had been wrong to provide the loan.

Mr R did not agree. As a result, the complaint was passed to me to decide.

In late January 2026, I issued in a provisional decision. Here is what I had to say:

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

I've also had regard to the regulator's rules and guidance on responsible lending (set out in its consumer credit handbook – CONC) which lenders, such as Lending Stream, need to abide by. I won't set these out in detail here, but the Financial Ombudsman Service has set out its general approach to complaints about irresponsible and unaffordable lending on its website.

And, having taken all of 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 Mr R 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 Mr R 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 Mr R responsibly using the information it had?*

Or

- ii. If Lending Stream didn't carry out such checks, would appropriate checks have demonstrated that Mr R was unlikely to have been able to repay the borrowing in a sustainable way?*
- 2. If relevant, did Mr R lose out as a result of Lending Stream's decision to lend to him?*
- 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 Mr R was applying for along with the size, length and cost of the borrowing; and*
- Mr R's financial circumstances – which included his financial history and outlook along with his 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 Mr R's complaint.

Did Lending Stream carry out reasonable and proportionate checks?

Prior to agreeing to lend, Mr R was asked to provide details of his net monthly income. Mr R declared a net monthly income of £2,000. I can't see that Lending Stream took steps to verify or otherwise satisfy itself that Mr R's declaration was correct. And I note CONC 5.2A.16G(3) says "For the purpose of considering the customer's income...it is not generally sufficient to rely solely on a statement of current income made by the customer without independent evidence (for example, in the form of information supplied by a credit reference agency or documentation of a third party supplied by the third party or by the customer)". So, on the face of it, it does not appear Lending Stream took reasonable steps to understand Mr R's income. But, for reasons I'll come on to, I need not consider this further in order to reach what I consider to be a fair and reasonable answer here.

Mr R was also asked to provide details about his monthly expenditure. Mr R declared monthly expenditure of £750. This was broken down as £550 for "normal expenses" and £200 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 Mr R's 'normal expenses' by £692.25. Therefore, it estimated this element of Mr R's expenditure was £1,242.25.

And, having checked Mr R's existing credit commitments based on information available from credit reference agencies, Lending Stream increased his 'credit-specific expenses' by £354.88 to a total of £554.88.

So, in total, for its affordability assessment Lending Stream believed Mr R's total monthly outgoings came to £1,797.13.

Lending Stream also carried out a credit search and it has provided the results it received from the credit reference agency. On my reading of the credit file data Lending Stream obtained prior to agreeing the loan in question, it looks like Mr R had a total unsecured indebtedness of about £3,903 which wouldn't have been of much concern, particularly relative to what Lending Stream understood to be his income.

It looks like there was a default present on the credit report, but it looked like this was applied around 43 months prior to the lending in question; so, it could reasonably be considered historic.

In short, I don't think there was anything within the credit report that would have given Lending Stream sufficient cause to gather more information or otherwise refuse to lend.

But the key issue here is, in my view, the results of Lending Stream's assessment of Mr R's income and expenditure which indicated he was left with only about £49 each month once his expenses, including repayments towards the loan in question, were taken into account.

I acknowledge this renders the loan affordable for Mr R on a strict "pounds and pence" basis – after all Mr R did seemingly have enough to meet the repayments. But the crucial point here is considering whether Mr R 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 Mr R in a precarious financial position.

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 Mr R, for the most part, with £49 to meet any other costs did have a significant adverse impact on his financial situation. It's very unlikely he would be able to absorb any such unexpected costs, and that's why I think this complaint should be upheld.

In response to the investigator's first set of findings, Lending Stream noted that it adopted what it called "more cautious view of how much [Mr R] spends each month than the information [Mr R] gave [it]". Lending Stream went on to say that "...if these adjustments would not have been made, the [disposable income] would have been significantly higher (£1,096.67 instead of £49.54). In other words, if it had relied solely on Mr R's declaration - it would have appeared he 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, I think relying on statistical data to calculate Mr R's expenses was a reasonable way of calculating Mr R's likely outgoings, rather than relying solely on his 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 Mr R had at the time leads me to conclude that, in the circumstances of this case, Lending Stream did not act fairly when it agreed to lend.

But, even if I'm wrong about to suggest the minimal level of disposable income Lending Stream calculated ought to have given it cause to refuse to lend (and I don't think I am), at the

very least it ought to have prompted more searching enquiries. And, if it Lending Stream had sought to gather more information about Mr R's financial circumstances, I still don't think Lending Stream made a fair lending decision.

It isn't possible to determine with certainty what reasonable and proportionate checks would have shown Lending Stream in practice as I don't know what checks it would have decided to carry out if it had its time again. But, in the absence of anything else, I've relied on Mr R's bank statements from the months prior to the lending in question as I think this gives me the best understanding of whatever further enquiries Lending Stream would have and undertaken are likely to have revealed.

Having done so, I can see Mr R earned around £1,500 each month – considerably less than the figure Lending Stream relied on in its lending decision. What's more, it looks like he was spending around £1,300 on his non-discretionary expenditure. So, once repayments towards the lending in question were taken into consideration, I think Mr R would have been left with little to no money each month to get by.

So, even if I thought Lending Stream needed to conduct further checks (which I don't), I think such checks would have alerted it to the fact that there was a real risk that Mr R would be unable to repay the loan sustainably. Indeed, this was borne out by the fact Mr R entered into a payment arrangement on this account within a few months.

Ultimately, having thought about the level of disposable income Mr R 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.

With that being the case, I am provisionally minded to uphold this complaint.

In reaching this conclusion, I've considered whether the relationship between Mr R 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 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

In order to put things right, I think Lending Stream should add up the total repayments Mr R has made and deduct these from the total amount of money he received:

- a) *if this results in Mr R having paid more than he 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 Mr R's credit file.*

Or

- b) *if any capital balance remains outstanding, then Lending Stream should arrange an affordable and suitable payment plan with Mr R. Once Mr R has cleared the balance, any adverse information in relation to the account should be removed from their credit file.*

† HM Revenue & Customs requires Lending Stream to take off tax from this interest. Lending Stream must give Mr R a certificate showing how much tax it's taken off if he asks for one.

Responses to my provisional decision

I gave both parties an opportunity to respond to my provisional decision.

In response, Lending Stream raised a number of points. I would like to thank Lending Stream for taking the time to do so. I have carefully considered what it has said, but I won't respond to every point (noting that some of these appear to be reiterations of previous arguments it has made). No discourtesy is meant by this - it simply reflects our role as an informal dispute resolution service. Instead, I'll focus on what I consider to be new or key points.

In summary, Lending Stream said:

- It did conduct income verification via a TAC report which indicated Mr R had understated his income. So, it relied on the income figure he provided.
- It made a substantial upward adjustment in Mr R's living cost (by £692.25) and, by doing so, it ensured it was calculating his disposable income through a conservative approach.
- Mr R's credit checks did not reveal any indicators of his current financial instability so it had no reasons to suspect any underlying financial difficulties.
- The level of checking was proportionate to the credit risk of the product and consistent with industry practice. We therefore determined that this account was affordable.
- CONC does not prescribe any set "surplus figure (e.g. £50, £100, etc)" that must remain after repayments; the test is whether the customer can make repayments without hardship, based on reasonable and proportionate assessment.
- The disposable income figure (£49) was an outcome of adjustments made to his normal declared expenses based on ONS benchmarks, meaning the actual surplus may have been higher.

Mr R did not respond to my provisional decision.

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 now accept that Lending Stream did conduct checks – specifically using a credit reference agency's "TAC" service - to satisfy itself that Mr R's declared income was likely accurate (or possibly even understated). So I think it was reasonable for Lending Stream to use Mr R's declared income in its affordability assessment. But this does not change my overall conclusion in this case. I'll explain why.

In response to the investigator's findings Lending Stream said that it adopted a "*more cautious view of how much [Mr R] spends each month than the information [Mr R] gave [it]*". And, if it hadn't adopted such a cautious approach – and had instead relied more heavily on what Mr R had told it about his circumstances – the disposable income figure would have been higher. And it has reiterated this position in response to my provisional decision.

As I said in my provisional decision, lenders like Lending Stream are entitled to expect prospective borrowers to answer questions about their financial circumstances in good faith. However, 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 view of this, I think making use of statistical data to estimate Mr R's living expenses (rather than the figure Mr R declared) was reasonable in the circumstances.

I accept that, on the face of it, the steps Lending Stream carried out prior to agreeing to lend (i.e. the TAC-verified income, reliance on statistical data and a credit check) were proportionate relative to the size of the borrowing in question.

But Lending Stream then had to apply the output from the checks fairly. And I don't think it did here. I say this because of the low level of disposable income its own calculations suggested Mr R would be left with once repayments towards the borrowing in question were factored in.

Lending Stream is right to say CONC does not prescribe a disposable income figure that must remain after repayments. But, as I said in my provisional decision, 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."

Mr R was expected to maintain monthly repayments for a period of six months. I have not been presented with sufficient reason to depart from my provisional conclusion that leaving Mr R with just £49 per month for that length of time to meet any other costs did have a significant adverse impact on his financial situation. It's very unlikely Mr R would be able to absorb any such unexpected costs that surely occur over the course of six months. Therefore, I think Lending Stream acted unfairly when providing this loan.

But, as I said in my provisional decision, if I'm wrong to suggest the minimal level of disposable income Lending Stream calculated ought to have caused it to refuse to lend (and I don't think I am), at the very least it ought to have prompted more searching enquiries. And, if it Lending Stream had sought to gather more information about Mr R's financial circumstances, such as obtaining a more accurate picture of his non-discretionary expenditure, I still don't think Lending Stream made a fair lending decision for the reasons I explained.

So, having reconsidered all of the available evidence in this complaint, I see no reason to depart from my provisional decision. I find that this complaint should be upheld.

In reaching this conclusion, I've considered whether the relationship between Mr R 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 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

In order to put things right, I think Lending Stream should add up the total repayments Mr R has made and deduct these from the total amount of money he received:

- a) if this results in Mr R having paid more than he 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 Mr R's credit file.

Or

- b) if any capital balance remains outstanding, then Lending Stream should arrange an affordable and suitable payment plan with Mr R. Once Mr R has cleared the balance, any adverse information in relation to the account should be removed from their credit file.

† HM Revenue & Customs requires Lending Stream to take off tax from this interest. Lending Stream must give Mr R a certificate showing how much tax it's taken off if he asks for one.

My final decision

My final decision is that I uphold this complaint, and Gain Credit LLC trading as Lending Stream should settle the complaint in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 20 March 2026.

Ross Phillips
Ombudsman