

**complaint**

Mr H complains that Gain Credit LLC (trading as Lending Stream) lent him money that he couldn't afford to repay.

Mr H is represented in his complaint by a claims management company.

**background**

Mr H took out six loans with Lending Stream between January and September 2015.

<b>Date of Loan</b>	<b>Amount borrowed</b>	<b>Number of instalments</b>	<b>Approximate max. combined monthly instalment</b>	<b>Repayment date</b>
22 January 2015	100	6	£46	28 January 2015
18 June 2015	100	6	£45	26 June 2015
29 June 2015	500	6	£212	25 July 2016
3 August 2015	180	6	£251	25 July 2016
10 September 2015	100	6	£279	18 September 2015
20 September 2015	100	6	£279	June 28, 2016

Mr H says he was caught in a spiral of debt and that Lending Stream didn't carry out adequate affordability checks.

The adjudicator didn't recommend upholding Mr H's complaint. He thought that apart from loan three, the lender's checks went far enough. Even though the adjudicator thought Lending Stream should've asked more questions before agreeing loan three, he didn't think it would've changed the decision to lend.

Mr H wasn't happy with the adjudicator's recommendation. He agreed Lending Stream's checks for loans one and two were adequate. Mr H also agreed that Lending Stream should've done more checks before agreeing loan three. However, he thought that Lending Stream should've taken more notice of some defaults on his credit file. Mr H also said that it would've been clear from his bank statements that he was in financial difficulties and was gambling frequently.

*my provisional findings*

After considering all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint, I was minded to uphold Mr H's complaint in part. I issued my provisional decision on 12 March 2018.

Lending Stream was required to lend responsibly. It needed to make checks to see whether Mr H could afford to pay each loan back before it lent to him. There wasn't a set list of checks it had to carry out. But the checks had to be proportionate to things such as the amount borrowed, the length of the agreement and any borrowing history.

*loans one and two*

I agreed with the adjudicator that it was reasonable of Lending Stream to agree the first two loans based on what it knew about Mr H's circumstances.

*loan three*

The adjudicator thought that as the monthly repayments were significantly higher than for loans one and two, Lending Stream should've asked more questions than it did.

The adjudicator thought Lending Stream should've asked Mr H about his living costs and regular credit commitments. But as far as I could see, it did ask for this information. It recorded a monthly income of £1,500 against £573 of expenses. So it looked as though Mr H could afford the monthly repayments of just over £210.

I appreciated that Mr H had some defaults from 2014. But as I couldn't be sure Lending Stream would've known about these, I couldn't say that it should've asked more questions before agreeing to lend.

*loan four*

By this time, Mr H was borrowing regularly and loan three was still open. This meant the combined monthly repayments would be more than £250. I thought this should've prompted Lending Stream to question whether Mr H might have become dependent on short term lending.

Even though I wouldn't have expected Lending Stream to carry out a full review of Mr H's finances at this stage, I still thought it should've asked whether he had any other short term loan commitments.

Lending Stream recorded a monthly income of £1,500 against a monthly expenditure of £673. Mr H didn't have much if any other short term lending commitments around the time of taking on loan four. This meant that even if Lending Stream had asked what I consider were proportionate questions, it would've still appeared that Mr H had enough disposable income to afford to repay loan four.

*loans five and six*

This is where I reached a different conclusion to the adjudicator. He thought that because the monthly repayments on loans five and six were relatively small, Lending Stream had done enough to assess affordability. However, by loan five, Mr H had been borrowing regularly and his previous two loans were still open.

The highest scheduled combined monthly repayment on loans five and six was just under £280. I thought Lending Stream should've had concerns about whether Mr H would be able to manage these without borrowing further. I considered it was reasonable to expect it to carry out the fullest checks possible before agreeing to lend. And it would've been proportionate to expect Lending Stream to independently verify the financial information that Mr H gave.

Lending Stream could've done this in a variety of ways such as asking to see payslips, copy bills or bank statements. As Mr H gave us bank statements for the period, I used these to consider what better checks would've shown.

Mr H was making regular payments of £350 as part of his debt management plan. He was also gambling regularly and heavily. For example, in the month before asking for loan five, he spent more than £1,250 at online gambling sites. The situation was very similar shortly before taking out loan six.

According to Mr H's bank statements, his monthly salary was about £1,240. This meant that he was spending more than this alone gambling online. But with better checks, Lending Stream would've also realised that Mr H had regular credit commitments of more than £600 and had just borrowed £450 from other short term lenders.

Mr H didn't have any disposable income left. He couldn't afford to pay his living costs without borrowing further. This wasn't sustainable. As a responsible lender, I wouldn't have expected Lending Stream to agree to lend had it known this.

As I considered Mr H had lost out, I thought it fair to require Lending Stream to pay him compensation.

#### *further submissions*

Both Mr H and Lending Stream agreed with my provisional decision.

#### **my findings**

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

As Mr H and Lending Stream agreed with my provisional decision it follows that I make my final decision along the same lines.

#### **putting things right**

To put things right Lending Stream should:

- Refund any interest and charges that Mr H paid on loans five and six;
- Add simple interest at a rate of 8% per annum to each of these amounts from the date they were paid to the date of settlement\*; and
- Remove any negative information recorded on Mr H's credit file in relation to loans five and six

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

#### **my final decision**

My decision is that I uphold this complaint in part. I require Gain Credit LLC (trading as Lending Stream) to take the steps outlined in the above bullet points.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 14 May 2018.

Gemma Bowen  
**ombudsman**