

## **complaint**

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

## **background**

Mr G took out 45 instalment loans between September 2014 and January 2017. He says Lending Stream shouldn't have agreed to lend as he was stuck in a cycle of repeated borrowing from other short term lenders. Mr G thinks Lending Stream should've realised this by looking at his credit reports.

The adjudicator recommended that Mr G's complaint be upheld in part. He thought Lending Stream's checks went far enough before agreeing loans one to three and four to seven. But he didn't think the lender carried out proportionate affordability checks for the rest of the loans. He thought Lending Stream should've carried out a full review of Mr G's financial circumstances from loan eight onwards.

The adjudicator thought that if Lending Stream had done better checks, it would've realised that all the loans from loan eight onwards weren't affordable. He asked it to refund interest and charges and pay interest on the refund. He also recommended that Lending Stream remove any negative information about the loans from Mr G's credit file.

Lending Stream didn't agree with all of the adjudicator's recommendation. It said Mr G had enough disposable income to afford all of the loan repayments. It said he passed its own credit assessment process. And having multiple loans at the same time doesn't mean the lending is irresponsible if the customer's income is higher than their outgoings.

Lending Stream said it turned down some of Mr G's requests for a loan indicating that it considered each application carefully.

Lending Stream offered to refund all interest and charges that Mr G had paid on loans eight to 15, 17, 18, 20 to 26, 28, 29, 32, 34 to 40, 42 and 43. It agreed to pay interest on the refund and remove any negative information about the loans from Mr G's credit file. Lending Stream also said that it would waive interest and charges on loans 44 and 45. It said it would apply the refund to the remaining principal balance before paying the rest of the refund to Mr G.

Mr G wasn't willing to accept this offer so the complaint has come to me.

## **my findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so, I'm upholding his complaint in part.

Lending Stream was required to lend responsibly. It needed to make checks to see whether Mr G 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.

I appreciate Lending Stream says it doesn't consider bank statements as part of its affordability assessment but this is just one of the ways a lender could carry out a more thorough financial assessment before agreeing to lend. And although Lending Stream was entitled to treat any information Mr G gave as being accurate, that doesn't mean it shouldn't have looked out for signs that something was wrong or that relevant details had been left out.

As Lending Stream hasn't given us any of the credit search results, I can't say whether it was aware of any information that should've led it to ask more questions than it did. However, just because it considered Mr G's credit rating to be good, doesn't necessarily mean that he was able to afford the loans that it agreed.

#### *Loans one to three*

Mr G told Lending Stream that his monthly income was about £2,400 and his outgoings were between £1,400 and £1,550.

As this was early on in Mr G's lending history, I think it was reasonable of Lending Stream to rely on the information he gave. Based on this, it appeared Mr G could afford the repayments so I don't think Lending Stream was wrong to agree to lend.

#### *loans four to seven*

There was a gap of more than 14 months between repaying loan three and taking out loan four. I think it was reasonable of Lending Stream to conclude that Mr G was reliant on short term lending.

He told Lending Stream his income varied between £3,100 and £3,200 each month. Mr G declared monthly outgoings of between £1,770 and £1,900. Again, based on the information Mr G gave, it looked as though he could afford to repay the loans in a sustainable way. So it wasn't wrong to agree loans four to seven.

#### *loan eight onwards*

By loan eight, Lending Stream could see a history of borrowing by Mr G. He hadn't repaid loan seven when he took out loan eight. And he'd taken out loan seven a few days before asking for loan eight.

I think Lending Stream should've reasonably been alerted to a possible dependency on short term lending. And it should've had concerns about whether it knew enough about Mr G's true financial position to decide whether to lend to him. For all of these loans, I think it was proportionate to expect Lending Stream to carry out the fullest checks possible and independently verify Mr G's outgoings.

Lending Stream has offered to refund interest and charges on a number of loans. As there doesn't appear to be any dispute about them, I don't feel I need to consider them further. So I will concentrate instead on the following loans that it hasn't included as part of its offer of redress: loan 16 (January 2015), loan 19 (April 2015), loan 27 (July 2015), loan 30 (August 2015), loan 31 (September 2015), loan 33 (November 2015) and loan 41 (October 2016).

As we've been given bank statements for the period, I've used these when considering what more proportionate checks would've revealed.

I can see Mr G gambled regularly and heavily throughout much of the time that he was taking out the above loans. For example, shortly before taking out loan 16, in one day alone, he spent more than £3,000 on gambling transactions.

In the month leading up to Mr G asking for loan 27, I can see evidence of more than £1,900 of gambling transactions on his bank statements. This pattern continued. If Lending Stream had carried out further checks, it's likely it would've realised Mr G had a serious gambling habit. As a responsible lender, I wouldn't have expected Lending Stream to continue to lend.

Although Mr G's income had increased by the time he asked for loans 30 and 31, he also had a significant number of commitments to other short term lenders. At the time of taking loan 30, he owed over £3,700 to various lenders. The situation was similar around the time of loan 31 and Mr G continued to gamble regularly. This meant that with his living costs and regular credit commitments, Mr G had a negative disposable income.

Overall, if Lending Stream had carried out the proportionate checks I think were reasonable, it would've realised that Mr G was borrowing from multiple lenders to support his gambling habit. He couldn't afford to repay any of the loans from eight onwards without borrowing elsewhere. This wasn't sustainable and Mr G has lost out as a result. Lending Stream should pay him more compensation than it's offered so far.

### **putting things right**

To put things right Lending Stream should:

- Refund any interest and charges Mr G has paid on loans eight to 45;
- 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\*;
- Write off any unpaid interest and charges on loans 44 and 45;
- If it chooses to, apply the refund against any outstanding capital balance on loans 44 and 45 before paying any remaining balance to Mr G; and
- Remove any negative information about loans eight to 45 from Mr G's credit file, including any records of searches it's done since he complained

\*HM Revenue & Customs requires Lending Stream to take off tax from this interest. Lending Stream must give Mr G a certificate showing how much tax it's taken off if he asks for one. If Lending Stream intends to apply the refund to reduce any outstanding principal balance, it must do so after deducting the tax.

### **my final decision**

My decision is that I uphold this complaint in part. I require GAIN Credit LLC (trading as Lending Stream) to put things right by doing as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 12 March 2018.

Gemma Bowen  
**ombudsman**