

complaint

Miss S complains that Lending Stream LLC gave her unaffordable instalment loans. She wants a refund, with interest.

background

Miss S had two loans from Lending Stream between September and October 2013. She said she had other short-term loans and things got out of control. She thought that if Lending Stream had made better checks it wouldn't have given her the loans. Lending Stream said it had carried out the affordability checks required. It said these found that the loans were affordable for Miss S.

Our adjudicator didn't recommend that the complaint should be upheld. She thought Lending Stream had carried out sufficient affordability checks and these showed that Miss S could afford her loan repayments.

Miss S replied that she was gambling at the time. She had a County Court Judgement (CCJ) in 2011 and two defaults on her credit file. She thought taking two loans in quick succession should have alerted Lending Stream that all might not be well.

my findings

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

Miss S's first loan was for £250, to be repaid in six monthly instalments with the largest being £135. A month later, Miss S borrowed a further £300, with her largest expected instalment being £162. As the loan repayments overlapped, the largest expected total monthly repayment was £297.

Lending Stream was required to lend responsibly. It should have made checks to make sure Miss S could afford to repay the loans before it lent to her. Those checks needed to be proportionate to things such as the amount Miss S was borrowing, and her lending history. But there was no set list of checks Lending Stream had to do.

Lending Stream asked for Miss S's monthly income, which was £1,580, and her expenditure, which she said was £1,050. It also carried out credit checks but didn't find anything untoward. It said Miss S had other loans which she was managing. Her credit scores were good.

I think these checks were proportionate and sufficient for Miss S's two loans. For Miss S's first loan from Lending Stream, the expected repayments were small compared to her income. So the loan looked affordable.

As loan two overlapped with loan one, the monthly repayments increased. So I'd expect Lending Stream to ask Miss S about her monthly expenditure on her normal living costs and regular credit commitments, which it did.

I think it was reasonable for Lending Stream to rely on what Miss S told it as it had no reason for concern that should have prompted further questions. I can't see that it found any previous defaults or the CCJ on her credit file. It's not unusual for consumers to borrow further amounts, but this was only the second loan Miss S had from Lending Stream.

So I think it made enough checks on its affordability. Miss S had a stated disposable income of £530 to meet her largest repayment of £297. So loan two also looked affordable.

I appreciate that Miss S had nine other payday loans due at the time and had been declined bank loans. But I wouldn't expect Lending Stream to have made more checks at this time than it did. From these checks, the loans looked affordable.

Lending Stream wouldn't have seen evidence of Miss S's gambling from these checks. So I can't say Lending Stream was wrong to lend Miss S these two loans and I can't require it to pay her any refunds.

my final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 9 February 2018.

Phillip Berechree
ombudsman