

complaint

Mr B complains that Gain Credit LLC (trading as Lending Stream) gave him loans that he couldn't afford to repay. He asks that it refunds interest and charges and pays compensation for his time and distress.

background

Mr B took out nine instalments loans with Gain Credit between February 2012 and May 2013. Mr B says Gain Credit didn't do affordability checks. He says he was in financial difficulties and entered into a debt management plan. The adjudicator recommended that the complaint should be upheld, saying:

- the checks made by Gain Credit were proportionate for the first four loans. The information Mr B provided about his income and expenditure suggested the loan repayments were affordable.
- Gain Credit should have made further checks before loans 5 to 9. Mr B's borrowing pattern suggested possible reliance on short term loans. Had it made proportionate checks, Gain Credit would have known Mr B didn't have enough disposable income to meet loan repayments in a sustainable way.

The adjudicator said that Gain Credit should refund interest and charges on loans 5 to 9, with interest at 8%, and remove adverse information about the loans from Mr B's credit file.

Gain Credit didn't agree. In summary, it said the information provided by Mr B suggested the loan repayments were affordable and Mr B's credit scores were good. Gain Credit offered to refund interest and charges on loans 7 to 9, which Mr B didn't accept. Mr B asked whether Gain Credit would make a payment for the stress this has caused him.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Where the evidence is incomplete, inconclusive or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

Mr B took out nine loans with Gain Credit:

Loan Number	Date borrowed	Amount borrowed	Number of instalments due	Highest instalment due	Date repaid
1	1 February 2012	£200	6	£100	6 July 2012
2	13 February 2012	£215	6	£107.50	6 July 2012
3	2 November 2012	£115	5	£63.25	15 January 2013
4	17 December 2012	£115	5	£63.25	26 April 2013
5	10 January 2013	£50	4	£31.67	6 February 2013
6	4 February 2013	£115	5	£63.25	30 May 2013
7	12 April 2013	£115	5	£63.25	21 October 2014
8	21 April 2013	£65	4	£41.17	17 January 2015
9	31 May 2013	£350	6	£175	22 February 2014

Loans 1 to 4

When Mr B applied for loans 1 and 2 he told Gain Credit his monthly income was £1,700 and his expenditure was £600. I think, given Mr B's stated income and the amount of the loan repayments, Gain Credit's checks were proportionate. The information Mr B gave it suggested the loans were affordable. Mr B gave similar information about his income and expenditure when he applied for loans 3 and 4. Again, I think Gain Credit's checks were proportionate given the amount of the loan repayments. The information it received suggested the loans were affordable.

Loans 5 and 6

When Mr B applied for loan 5 he'd been borrowing from Gain Credit for nearly a year without a significant break. He was still paying instalments for the previous two loans. I think Gain Credit should have considered whether there was a problem, such as reliance on short term loans. I think it should have asked for information to gain a full understanding of Mr B's financial circumstances. While there are different ways of doing this, one is to look at his bank statements as I have done.

When he applied for loan 5, Mr B's monthly income was about £1,845, including child benefit. His normal monthly living costs (such rent, food, travel and mobile phone) were about £790. He made payments of more than £900 for child support and to credit card accounts. When he took out loan 5 Mr B had short term commitments of about £395. I don't think further borrowing was affordable. I also think, if Gain Credit had made proportionate checks, it would have been aware of a possible gambling problem as Mr B made a significant number of payments to gambling businesses. Mr B's circumstances were similar when he took out loan 6.

Loans 7 to 9

Gain Credit offered to refund interest and charges, with 8% interest, and remove adverse information about loans 7 to 9. I agree this is appropriate and won't consider these loans further here.

What should happen now?

I don't think Gain Credit should have agreed to lend to Mr B after, and including, loan 5 (taken out in January 2013). So for each of those loans Gain Credit should:

- Refund all interest and charges that Mr B paid on the loans;
- Pay interest of 8% simple a year on all refunds from the date of payment to the date of settlement*;
- Remove any negative information about the loans from Mr B's credit file.

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

I've considered what Mr B has said about additional compensation. Mr B says his financial problems affected his personal life and relationships. But while Gain Credit shouldn't have offered him some of these loans, I don't think this was the only cause of Mr B's financial problems. And while I appreciate that bringing this complaint involved time and inconvenience, I'm not sure this in itself makes it fair and reasonable to require Gain Credit to pay further compensation.

my final decision

My decision is that I uphold this complaint. I order Gain Credit LLC to adjust Mr B's credit file and make the payments set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 21 May 2018.

Ruth Stevenson
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