

complaint

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

background

Mr S took out 20 instalment loans between August 2014 and January 2017. He says Lending Stream shouldn't have agreed to lend as he was carrying a large amount of debt and was repeatedly borrowing from a number of lenders. Mr S wants Lending Stream to refund the interest that he's paid.

The adjudicator recommended that Mr S's complaint be upheld in part. He thought Lending Stream's checks went far enough before agreeing loans one to four and nine and ten. But he didn't think the lender carried out proportionate affordability checks for the other loans.

The adjudicator thought that if Lending Stream had done better checks, it would've realised that loan eight and loans 13 to 20 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 affected loans from Mr S's credit file.

Lending Stream didn't agree with all of adjudicator's recommendation. It said Mr S had enough disposable income to afford all of the loan repayments and that it wouldn't consider bank statements as part of its assessment.

Lending Stream said Mr S 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 S's loan requests indicating that it considered each application carefully. Finally, it pointed out that it was entitled to rely on the information Mr S gave about his outgoings as being accurate.

Lending Stream did offer to refund interest and charges applied to loans 17 and 19. And it said it would remove any negative information about these two loans from Mr S's credit file.

Mr S wasn't happy to accept this offer so the complaint has come to me for a final decision.

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 this complaint in part.

Lending Stream was required to lend responsibly. It needed to make checks to see whether Mr S 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 S 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 S's credit rating to be good, doesn't necessarily mean that he was able to afford the loans that it agreed.

Lending Stream had already offered to put things right for loans 17 and 19. As it doesn't appear that these two loans are in dispute, I don't think I need to say anything more about them.

Loans one to four

Mr S told Lending Stream that his monthly income was between £1,900 and £2,000 and his outgoings were between £150 and £461.

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

loans five to seven

By the time Mr S applied for loan five he'd been borrowing on a regular basis. And loans three and four were still open. Although loan five was repayable by instalments, I agree with the adjudicator that Mr S's history of borrowing should've prompted Lending Stream to carry out the fullest checks possible and independently verify his outgoings.

Lending Stream could've done this in a variety of ways such as asking to see payslips, bills or bank statements. As Mr S has given us bank statements, I've used these to consider what better checks would've shown each time.

It looks as though Mr S had enough disposable income to be able to afford the combined loan repayments on loans five to seven. So I'm satisfied that even if Lending Stream had carried out the kinds of checks I think were proportionate, it would've still agreed to lend.

loan eight

By this loan, Mr S's earlier two loans were still open. His living costs and regular credit commitments had risen. And he was due to repay another short term lender more than £250 at the same time as his Lending Stream loan repayment was due. After taking account of the combined loan repayments he needed to make to Lending Stream, Mr S had a negative disposable income.

With better checks, I think Lending Stream would've realised that Mr S couldn't afford to repay loan eight without borrowing elsewhere. This wasn't sustainable and Mr S has lost out a result.

loans nine and ten

There was a gap of almost six months between repaying loan eight and taking out loan nine. In the absence of any other evidence to the contrary, I think it was reasonable of Lending Stream to conclude that Mr S's circumstances might've improved.

Mr S told Lending Stream his monthly income was £2,200. He declared monthly outgoings of £761. Based on the information he gave it looked as though Mr S could afford to repay both loans in a sustainable way.

loans 11 and 12

The adjudicator didn't think Lending Stream's checks went far enough before agreeing either of these loans. She thought Lending Stream should've been asking about Mr S's other short term loans before agreeing loan 11. And by loan 12, it should've carried out the fullest review possible and asked to independently verify Mr S's finances.

I don't consider it was necessary to carry out a full review before loan 12. But I do agree that the history of taking new loans while previous ones were still open, should've led Lending Stream to question Mr S about his other short term lending commitments.

I've had a look at Mr S's bank statements to see what other short term lending commitments he had around the time of these two loans. I can see he was making monthly repayments on an instalment loan with a different lender. But even if Mr S had told Lending Stream about this, it would've still appeared that he had enough disposable income to afford the repayments on loans 11 and 12. So better checks wouldn't have made a difference.

loan 13 onwards

I agree with the adjudicator that this pattern of repeated borrowing should've prompted Lending Stream to question whether it knew enough about Mr S's financial situation before agreeing to lend from loan 13 onwards. I think it was reasonable to expect it to carry out the fullest checks possible and independently verify Mr S's outgoings.

By loan 13, Mr S's monthly outgoings exceeded his income. This meant he didn't have enough disposable income to afford the loan repayment of over £85.

I can see evidence of online gambling transactions on Mr S's bank statements. These increased in size and frequency from July 2016 onwards. For example, he spent £240 online gambling in one day at the beginning of July 2016.

On the same day that Mr S received the funds for loan 14, I can see £200 of online gambling transactions. And then £60 the next day. This pattern continued for the remainder of the time that Mr S borrowed from Lending Stream.

Around the time Mr S took out loan 16, he spent almost £1,000 online gambling in a month. And by loan 20, this had increased to more than £1,800. Mr S was also borrowing from multiple short term lenders. This further reduced his disposable income.

I think that if Lending Stream had looked at Mr S's financial circumstances in as much detail as I think was proportionate, it would've realised he was using short term lending to support

a gambling habit. And Mr S could only manage to keep up with this and his regular outgoings by taking out more loans from Lending Stream and other short term lenders.,

As a responsible lender, I don't think Lending Stream would've agreed to lend from loan 13 onwards. Although it's already offered to refund interest and charges on loans 17 and 19, it should do more than this to compensate Mr S.

putting things right

To put things right Lending Stream should:

- Refund any interest and charges Mr S has paid on loans eight and 13 to 20;
- 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 about loans eight and 13 to 20 from Mr S'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 S 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 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 S to accept or reject my decision before 23 April 2018.

Gemma Bowen
ombudsman