

## **complaint**

Mr D complains that Gain Credit LLC (trading as Lending Stream) was irresponsible to approve a series of loans.

## **background**

Mr D had 22 Lending Stream loans from January 2012 to May 2014 as seen in Appendix 1.

Mr D was scheduled to repay each loan with four to six monthly instalments. He says the loans were unaffordable and forced him into a debt trap which Lending Stream should have seen from his other short-term borrowing and credit file. He says Lending Stream even offered to lend him more money after he'd requested a repayment plan.

Lending Stream says it asked Mr D about his income and checked his credit file before approving the loans. It says it found Mr D had sufficient disposable income to make the repayments. However, Lending Stream noted there was a procedural error when approving loan 12 so offered to refund the interest Mr D paid on that (plus 8% statutory interest).

Our adjudicator recommended the complaint should be upheld in part. She was satisfied Lending Stream did enough checks before agreeing loans 1 to 3, but found the checks didn't go far enough for the other loans. She considered Lending Stream should have asked Mr D about his other short-term commitments from loan 4 onwards. She found that, had it done so, Lending Stream would have discovered Mr D had significant monthly commitments to other short-term lenders. As he had insufficient disposable income to also make the Lending Stream repayments, our adjudicator found these loans were unaffordable to Mr D. She recommended Lending Stream should refund interest on Loans 4 onwards (plus 8% statutory interest) and remove any associated negative information from Mr D's credit file.

Lending Stream responded to say, in summary, that Mr D's disposable income was always at least twice the borrowed amount and that his credit record and repayment history was good. It added that it was entitled to rely on the information provided by Mr D and it was not obliged to ask for his bank statements. However, it offered to refund the interest on loans 7, 14, 15, 16, 19, 21 and 22 in addition to the offer on loan 12 it had already made.

Mr D did not accept this offer.

## **my findings**

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

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

### Loans 1 to 3

When Mr D took out the first two loans, he told Lending Stream his monthly income was £1,360. As the highest scheduled repayment for these loans was just over £100, I'm satisfied an income check was sufficient before the loan applications were approved.

Loan 3 was for a higher amount and, although Mr D had repaid loans 1 and 2, his highest scheduled repayment on loan 3 was over £200. For this loan, I consider a proportionate check should have included asking Mr D about his expenditure. Lending Stream did this and found his disposable income was £800, so I can't conclude it was wrong to approve loan 3.

#### Loan 4

Mr D hadn't repaid loan 3 when he applied for his next loan. This meant his scheduled repayment was over £250. By this time, his borrowing pattern could have suggested a reliance on short-term borrowing, so I consider Lending Stream should have asked Mr D whether he had any other short-term commitments. I can't see it did this but, had it done so, it would have found Mr D needed to make payments totalling over £1,500 to other short-term loan providers at around the same time as his Lending Stream payment was due. Mr D said his disposable income was £900 at the time, so I'm satisfied loan 4 was unaffordable to him.

#### Loan 5 onwards

Mr D continued to borrow regularly and often had multiple, overlapping Lending Stream loans. I consider Lending Stream should have carried out a full financial review before agreeing to any of the remaining loans. Had it done so, it would have found Mr D was using multiple short-term lenders throughout the time he was borrowing from Lending Stream. Some months he owed over £4,000 to such lenders, and I'm satisfied Lending Stream would've found all the remaining loans unaffordable had it carried out proportionate checks.

I acknowledge that Lending Stream said the borrowed amount was always significantly less than Mr D's declared disposable income, but this does not take into account that Mr D often had multiple loans outstanding at the same time. I also consider that, for most of the loans, it wasn't reasonable for Lending Stream to rely on what Mr D had said. If Lending Stream had independently verified the disposable income it would have found Mr D was also spending a significant amount of money on gambling transactions.

#### **my final decision**

My decision is that I uphold this complaint. Gain Credit LLC (trading as Lending Stream) should:

- Refund all interest and charges that Mr D paid on loans 4 to 22;
- Pay interest of 8% simple a year on all refunds from the date of payment to the date of settlement\*;
- Deduct from this amount any refunds already paid.
- Remove any negative information about the loans 4 to 22 from Mr D's credit file.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 26 March 2018.

Amanda Williams  
**Ombudsman**

**Appendix 1**

Loan	Date	Borrowed	Repaid	Notes
1	20 Jan 2012	£115	25 Jan 2012	
2	25 Jan 2012	£365	23 Mar 2012	
3	24 Mar 2012	£465	25 Sep 2012	
4	28 Jul 2012	£275	25 Sep 2012	
5	26 Sep 2012	£465	25 Jan 2013	
6	13 Dec 2012	£95	25 Jan 2013	
7	2 Jan 2013	£95	25 Jan 2013	Offered
8	25 Jan 2013	£465	26 Jul 2013	
9	4 May 2013	£335	25 Oct 2013	
10	5 Jul 2013	£405	23 Dec 2013	
11	29 Jul 2013	£70	25 Nov 2013	
12	25 Aug 2013	£150	25 Feb 2014	Offered
13	29 Sep 2013	£80	25 Mar 2014	
14	26 Oct 2013	£70	25 Apr 2014	Offered
15	29 Oct 2013	£200	25 Apr 2014	Offered
16	27 Nov 2013	£170	23 May 2014	Offered
17	3 Jan 2014	£110	26 Jun 2014	
18	1 Mar 2014	£90	26 Jul 2014	
19	3 Mar 2014	£200	26 Oct 2014	Offered
20	5 Apr 2014	£120	25 Sep 2014	
21	28 Apr 2014	£250	26 Oct 2014	Offered
22	24 May 2014	£60	26 Aug 2014	Offered