

complaint

Mr H complains that Lending Stream LLC gave him unaffordable instalment loans and changed the amount it said he owed. He wants a refund of his interest and charges and for his credit file to be amended.

background

Mr H had six loans from Lending Stream between April and October 2015. He said the loans were unaffordable. He was also unhappy that Lending Stream changed the amount it said he owed in order to close his loans. Lending Stream said it had carried out appropriate affordability checks. But it offered to close one outstanding loan and waive interest and charges on Mr H's last loan. But Mr H declined this offer.

Our adjudicator recommended that the complaint should be upheld in part. She thought Lending Stream's affordability checks had been proportionate for loans one and two, but not thereafter. She thought that if it had made better checks, it would have seen that loans three to six were unaffordable for Mr H and so it was wrong to approve them.

The adjudicator thought Lending Stream should refund Mr H's interest and charges for loans three to six, with interest and offset this against the balance still owed for loan six. She also thought it should remove related adverse information from Mr H's credit file.

Mr H replied that Lending Stream had misquoted him the balance owed for loan six. Lending Stream replied that Mr H had sufficient disposable income to repay his loans. However it offered a refund for one loan offered in quick succession and to waive interest and charges on Mr H's last loan. But Mr H was unhappy with this.

my findings

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

Mr H first borrowed £150 to be repaid in six instalments, the largest being £68.40. He repaid this loan early and then borrowed £250. The largest expected monthly repayment for loan two was £112. Another five weeks later, loan three was for £260. Mr H now had two overlapping loans and his largest expected monthly repayment was £205.

Two months later, he borrowed £250. His largest expected repayment for the three overlapping loans was £253. A week later, Mr H borrowed £150 so he was now expected to make a repayment of £319 in one month. Three weeks later, his last loan was for £260. Mr H struggled to repay his last two loans and a balance remains outstanding for his last loan.

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

Lending Stream said it checked Mr H's credit score for each loan. It asked him for his monthly income, which he said was £1,600, and expenditure to work out his disposable income. Mr H said his outgoings were between £448 and £583, leaving him with a disposable income of over £1,000 a month.

I agree with the adjudicator that these checks were proportionate and sufficient for Mr H's first two loans. The loan repayments were small compared to his stated income. He repaid loan one before he took out loan two. So I can't say Lending Stream was wrong to approve these two loans.

Loan three was Mr H's third in as many months. The monthly repayment for the overlapping instalments meant he had to repay £205 in one month. I think Lending Stream should then have looked at his regular financial commitments as well as Mr H's income and monthly living costs to check affordability.

I've looked at Mr H's bank statements from the time and other things he's provided to get this information. But Lending Stream could easily have asked Mr H for it. These show that when these commitments were included, Mr H didn't have enough disposable income to repay his instalment.

For loan four, when Mr H had three loans overlapping, I think Lending Stream should also have looked at his other short-term borrowing to check that he could afford his repayments. Again I've looked at information Mr H has provided. I can see that Mr H was borrowing elsewhere and had repayments due that meant he didn't have enough to repay Lending Stream without further borrowing.

And for loans five and six, I think Lending Stream should have looked more closely at Mr H's finances and verified what he'd told it before approving further loans. These checks would have shown that Mr H was gambling heavily. And I think that if Lending Stream had seen this then, as a responsible lender, it wouldn't have approved further loans.

So I think that if Lending Stream had made better checks for loans three to six, then it would have seen, as I have, that these were unaffordable and unsustainable for Mr H. And so I think it was wrong to approve them. Lending Stream has offered some redress for two loans, but I don't think this goes far enough.

Mr H was also unhappy that Lending Stream changed the amount it said he owed for loan six. It said this was due to a manual error. I can understand that Mr H was upset because he thought it was sharp practice. But mistakes happen. I can't see that this has caused Mr H any loss so I don't think Lending Stream needs to do anything further about this error.

my final decision

My final decision is that I uphold this complaint in part. I require Lending Stream LLC to do the following:

1. Refund Mr H the interest and charges he paid on loans three to six, adding interest at 8% simple per annum from the date of payment to the date of settlement. This refund should be offset against the principal still outstanding for loan six and the rest should be paid to Mr H.
2. HM Revenue & Customs requires Lending Stream to withhold income tax from that interest. It must give Mr H a certificate showing how much it's taken off if he asks for one.
3. Remove any adverse information relating to these loans from Mr H's credit file.

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

Phillip Berechree
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