

complaint

Mr H complains that Gain Credit LLC (trading as Lending Stream) gave him loans that he couldn't afford to repay.

background

Mr H was given three loans by Lending Stream between April and September 2015. Each of the loans was repayable in six monthly instalments. Mr H wasn't able to repay any of the loans in line with his original agreements, but all the loans have now been fully repaid. A summary of Mr H's borrowing from Lending Stream is as follows;

Loan Number	Borrowing Date	Repayment Date	Loan Amount
1	06/04/2015	02/10/2017	£ 280
2	15/07/2015	02/10/2017	£ 250
3	06/09/2015	02/10/2017	£ 130

Mr H's complaint has been assessed by one of our adjudicators. He thought that the checks Lending Stream had done before agreeing each loan had been sufficient. And since those checks had suggested that Mr H was able to afford each loan he didn't think Lending Stream had been wrong to lend to Mr H. So he didn't think the complaint should be upheld.

Mr H didn't agree with that assessment. So, as the complaint hasn't been resolved informally, it has been passed to me, an ombudsman, to decide. This is the last stage of our process.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I've also taken into account the law, any relevant regulatory rules and good industry practice at the time the loans were offered.

Lending Stream was required to lend responsibly. It needed to make checks to see whether Mr H could afford to pay back each loan 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 has told us about the checks it did before lending to Mr H. Before each loan it asked him for details of his income and his normal monthly expenditure. And Lending Stream says it then compared that expenditure against some industry norms, increasing Mr H's expenditure when what he said appeared too low. And Lending Stream checked Mr H's credit file before each loan too. Although I haven't seen the full results of those credit checks I'm not aware of any adverse indicators such as recent defaults, county court judgements or bankruptcies that I think should have caused additional concerns to the lender.

Each of Mr H's loans was repayable in six monthly instalments. So the amounts that Mr H needed to repay each time were smaller than if he'd taken a normal payday loan. But of course he was committing to making those repayments over a far longer period.

The repayments that Mr H needed to make on the first loan were relatively modest compared to the disposable income that he'd declared, even after taking account of the additional expenditure added by Lending Stream. This was the first loan he'd asked for from Lending Stream. So taking all that into account I think the checks Lending Stream did here were proportionate. It wasn't wrong to give this loan to Mr H.

Mr H was around half way through repaying his first loan when he asked Lending Stream if he could borrow again. So for the next three months he'd be repaying two loans at the same time. Whilst this might have caused some concerns to the lender, the combined repayments Mr H needed to make still seemed easily affordable based on what he'd said about his disposable income. And he'd made all his previous repayments to Lending Stream on time. So once again I think the checks Lending Stream did were sufficient and that it was reasonable to give this loan to Mr H too.

Just before he was due to make his final repayment on the first loan, Mr H asked to borrow again. So for one month he'd need to make repayments on three loans at the same time. And after this he'd be repaying loans 2 and 3 together. So that might have increased any concerns Lending Stream had about Mr H's financial position. But the combined repayments, even in the first month when Mr H needed to repay all three loans, still appeared affordable based on his disposable income. On balance I don't think Lending Stream needed to do any more checks here before lending to Mr H. So I don't think it was wrong for Lending Stream to give any of the loans to Mr H.

I appreciate that Mr H says his financial situation was very poor. He says he was borrowing from a number of other short term lenders. And he was using that money to help support what he describes as compulsive gambling. But that wasn't something he told Lending Stream when he applied for the loans. And I don't think it was something that what I consider to be proportionate checks would have uncovered either. I think Lending Stream was entitled here to rely on the information provided by Mr H. And that suggested that the loans were affordable for him.

my final decision

For the reasons given above, I don't uphold the complaint or make any award against Gain Credit LLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 23 November 2018.

Paul Reilly
ombudsman