

complaint

Mr D complains that Lending Stream LLC was irresponsible to lend him money.

background

Mr D had ten six-month instalment loans from Lending Stream between April 2015 and February 2017 as follows:

<u>Loan</u>	<u>Date</u>	<u>Amount</u>	<u>Due</u>	<u>Repaid</u>	<u>Notes</u>
1	23 Apr 2015	£200	30 Oct 2015	1 Oct 2015	
2	16 Jul 2015	£200	31 Dec 2015	2 Nov 2015	
3	11 Sep 2015	£440	29 Feb 2016	2 Nov 2015	
4	2 Jan 2016	£480	30 Jun 2016	28 May 2016	
5	29 Feb 2016	£170	31 Aug 2016	2 Jul 2016	
6	10 Apr 2016	£100	30 Sep 2016	2 Jul 2016	
7	10 Jul 2016	£400	30 Dec 2016	16 Jan 2017	
8	8 Sep 2016	£100	28 Feb 2017	16 Jan 2017	
9	9 Sep 2016	£60	28 Feb 2017	16 Jan 2017	
10	13 Feb 2017	£200	31 Jul 2017	N/A	£153.60 outstanding

Mr D says he couldn't afford the repayments on the loans and was having to borrow each month to meet his living expenses.

Lending Stream says it carries out affordability checks for each loan application and it was satisfied the information from Mr D and his credit record indicated the repayments were affordable. It added that other applications were declined. It offered to set up a repayment plan for Mr D to repay the outstanding balance and to waive £83.84.

Our adjudicator recommended the complaint should be upheld in part. She was satisfied that Lending Stream did enough checks before approving the first three loans, but considered it should have been more thorough before agreeing to the remaining loans. She found that had Lending Stream carried out better checks, it is likely it would have found loan 6 was unaffordable. She recommended Lending Stream should refund interest and charges on this loan (plus 8% statutory interest) and remove any associated negative information from Mr D's credit file.

Lending Stream accepted the adjudicator's recommendation.

Mr D responded to say, in summary, that he still believed more than one of the loans was unaffordable to 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.

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 and 2

Much like the adjudicator, I consider Lending Stream carried out enough checks before approving these loans. Mr D had declared his income was at least £1,500 per month and the maximum repayment on loan 1 was less than £100. Even though loans 1 and 2 ran concurrently, the maximum total repayment on both was a little over £150. As this was a small proportion of Mr D's income I'm satisfied it did enough checks before approving the loans.

Loan 3

When Mr D applied for loan 3, he still had repayments to make on the first two loans so his maximum commitment in a month was over £300. Although Mr D was now saying his income was £1,700, I think proportionate checks should have included asking Mr D about his expenditure. Lending Stream did that and, as his self-declared disposable income was over £1,000, I can't conclude this additional loan was unaffordable to him.

Loan 4

By the time Mr D applied for his fourth loan, he'd paid off the other three loans. But this was Mr D's fourth loan in quick succession, and it was for a higher amount than any of the previous loans. As such, and with the maximum repayment being over £200, I consider proportionate checks should have included asking Mr D about other short-term loans as well as his regular expenditure. However, had it done so, it would have found Mr D didn't have any additional short-term commitments, and his self-declared disposable income was comfortably high enough to afford the repayments. So I can't say Lending Stream was wrong to approve loan 4.

Loan 5

Mr D applied for his fifth loan in quick succession in February 2016. At this stage, and for all subsequent loans, I consider a full financial review would have been proportionate. Mr D still had his fourth loan outstanding and needed to repay about £240 in one month. I can see from Mr D's bank statements that his income wasn't much different from the £1500 he'd declared to Lending Stream. Equally, although the majority of Mr D's expenditure was cash, I've calculated his outgoings to be very similar to the £985 he's told this service. Even though that is significantly more than the £523 he declared to Lending Stream, I still find Mr D could afford the required repayments.

Loan 6

In April 2016, Mr D applied for his sixth loan when he still owed money on loans four and five. This meant he needed to make a repayment of about £260 in total. Had Lending Stream carried out a full financial review, it would have found that, actually, Mr D's income was nearer £1,300 than the £1,600 he'd declared. Although he'd told Lending Stream his expenditure was about £500, I can see from his bank statements that he was withdrawing around £600 in cash each month, he was paying over £100 on phone bills, and a further £100 on credit commitments and bank charges. In addition to this Mr D was spending an increasing amount on gambling. Between February and May 2016 he spent roughly £300 per month. So, I'm satisfied that had Lending Stream carried out a full financial review, it would have found it was irresponsible to continue lending to Mr D.

Loans 7 to 10

Mr D's financial circumstances remained roughly similar for the remaining loans. His income was about £1,500 per month, with expenditure of around £900. Even though loans 7 to 9 ran concurrently, his biggest scheduled repayment was just over £200. I can see from Mr D's bank statements that he was still spending money on gambling, but as this had reduced to between £100 and £150 per month, I can't say that made the loan repayments unaffordable.

In summary, I find that had Lending Stream carried out proportionate checks before approving all the loans it's likely it would have found loan 6 was unaffordable to Mr D.

my final decision

My decision is that Lending Stream LLC should do the following, as it has already offered to do:

- Set up a repayment plan for Mr D to repay the outstanding balance and to waive £83.84 of this amount;
- Refund all interest and charges that Mr D paid on loan 6;
- 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 loan 6 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 9 April 2018.

Amanda Williams
ombudsman