

## complaint

Mr D complains that Lending Stream LLC lent him money he couldn't afford to repay.

## background

Mr D took out 8 instalment loans with Lending Stream between April 2013 and January 2017.

No.	Borrowing Date	Repayment date	Loan Amount	Number of Instalments	Maximum combined monthly instalment
1	13 April 2013	15 May 2013	615	6	£307.50
2	23 June 2014	8 August 2014	500	6	£270
3	26 June 2014	5 August 2014	300	6	£432
4	29 September 2014	8 October 2014	490	6	£264.60
5	18 February 2015	8 May 2015	500	6	£228
6	1 April 2015	8 May 2015	500	6	£412
7	6 September 2016	10 January 2017	750	6	£336
8	16 January 2017	20 June 2017	1250	6	£530

Mr D says that if Lending Stream had carried out proper checks, it would've realised that it was irresponsible to lend as he wasn't in a stable financial position.

The adjudicator didn't recommend that the complaint be upheld. She thought Lending Stream's checks went far enough before agreeing loans one to five, seven and eight. And that based on the information Mr D declared about his income and expenditure, the loans appeared affordable.

The adjudicator thought that for loan six, a proportionate check would've included asking whether Mr D had any other short term lending commitments. And that Lending Stream should've independently verified his income and expenditure information. However, even if it had done this, for example by asking to see bank statements, the repayments on loan six would've still appeared affordable.

Mr D disagrees with the adjudicator's recommendation. He thinks Lending Stream should've asked to see bank statements before deciding whether to lend to him. If it had done this, he thinks it would've realised he was gambling frequently and using multiple short term loans.

Mr D thinks that Lending Stream should've queried why he needed to borrow money if he had the level of disposable income that he declared.

## 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 needed to make checks to see whether Mr D 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.

Lending Stream has told us about the checks it did before lending to Mr D each time. It asked him to declare his normal monthly income and expenditure. And it checked his credit score.

Although Mr D's declared disposable income was sometimes quite high, I don't think I can say that this alone should've prompted Lending Stream to ask more questions than it did.

I appreciate Mr D thinks that Lending Stream should've been aware about the other short term loans from his credit file. But I can't be sure how much detail Lending Stream's credit checks would've shown.

I've had a look at the credit report that Mr D sent to us. The only default was recorded after he took out the last loan with Lending Stream. And even though Mr D had some other payday loans around the same time, it looks as though for the most part, he was managing to repay them on time. I can see some early arrears on one or two towards the end of 2016. But as I've already said, I can't be sure that Lending Stream's credit check would've shown this before agreeing loan eight.

#### *loan one*

I think Lending Stream's checks went far enough before agreeing this loan. It was his first loan with Lending Stream so it didn't have any previous lending history to consider.

Mr D declared his income was over £2,300 and his expenditure was just over £1,000. It seems fair for Lending Stream to have relied on this information. Based on what it knew about Mr D's financial situation, this loan appeared to be affordable.

#### *loans two to five*

There was a gap of more than a year between repaying loan one and asking for loan two. So I can't reasonably find that Lending Stream missed any obvious signs that Mr D might struggle to repay the loans or that he was dependent on short term lending.

Mr D declared a monthly income that varied between £4,240 and £5,800. He told Lending Stream his monthly expenditure was between about £1,400 to just under £1,850. I think these checks were reasonable. Based on the information Mr D gave, it looked as though he had more than enough disposable income left to afford the combined monthly repayments on these four loans.

#### *loan six*

By this time, although Mr D wasn't borrowing every month, his earlier loan was still open. I think this should've reasonably prompted Lending Stream to question whether he could sustainably afford the combined repayments.

Although Lending Stream asked about Mr D's income and expenditure, I don't have any evidence that it asked about his other short term lending commitments. Or that it

independently verified the information that he gave. I think it should've been doing both of these things.

Just because I consider Lending Stream should've asked more questions doesn't necessarily mean that I will go on to uphold the complaint. I would need to conclude that better checks would've shown Lending Stream that loan six wasn't affordable.

Lending Stream could've checked Mr D's income and outgoings in a variety of ways but as we have some of his bank statements, I've used these.

As the adjudicator has already told Mr D, we've classed a number of payments received from other accounts in his name, as income. In the month before taking out loan six, more than £8,000 was paid in to his bank account. As this sum varied over time, the adjudicator took an average that came to just under £7,700.

Although I appreciate Mr D had a number of regular and short term credit commitments, after taking account of these and his living costs, he was still left with about £4,250 disposable income.

As the combined monthly repayment was £412, I can't reasonably say that better checks would've changed Lending Stream's decision to lend or that it was wrong to agree this loan.

I can see that Mr D was gambling quite heavily in the month before taking out loan six. But I can't say that this in itself would've been enough for Lending Stream to say it wouldn't agree to lend. This is because it looked as though Mr D could still afford to repay what he owed from his income without resorting to further borrowing.

#### *loans seven and eight*

Mr D took out loan seven more than a year after repaying loan six. I don't think Lending Stream had reason to suspect that Mr D might be in financial difficulties or that he was dependent on short term lending.

I think it would've been reasonable of Lending Stream to rely solely on Mr D's declared income when deciding whether to lend. But as it also recorded a monthly expenditure figure of just under £1,500, I've considered whether the loan still appeared affordable. Lending Stream recorded a monthly income of £4,400 so the repayments on loan seven still appeared affordable.

Loan eight was the largest loan but I don't find it was unreasonable of Lending Stream to agree it based on the information it held about Mr D's income (£5,800) and monthly expenditure (£1,600). The maximum instalment was £530 but it appeared that Mr D had enough disposable income to afford this loan.

I'm sorry that my decision is likely to disappoint Mr D. He was in a much worse financial position than he told Lending Stream but for all of the loans bar loan six, it was reasonable to take the information he gave at face value. And even with better checks around the time of loan six, I don't think it would've changed Lending Stream's decision to lend.

#### **my decision**

My decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 21 March 2018.

Gemma Bowen  
**ombudsman**