

complaint

Mr C complains that Lending Stream LLC gave him loans he couldn't afford to pay back.

background

Mr C took out the following instalment loans with Lending Stream. The loans were repayable over five to six months.

date taken	amount	maximum repayment	date repaid
23 June 2012	£100	£55	3 July 2012
22 July 2012	£315	£157.50	3 Jan 2013
9 March 2013	£400	£200	13 May 2013
11 July 2013	£215	£107.50	15 August 2013
29 July 2013	£100	£50	3 August 2013
12 November 2013	£300	£162	14 February 2014
26 January 2014	£100	£54	14 February 2014

Our adjudicator thought Mr C's complaint should be upheld in part. He said that Lending Stream's affordability checks were appropriate for the first four loans but not the last three. And he thought that if Lending Stream had carried out more appropriate checks on those three loans it would've seen that the last two were unaffordable and wouldn't have lent to Mr C.

The adjudicator asked Lending Stream to refund interest and charges on the last two loans and remove any adverse information about them from Mr C's credit file.

Lending Stream didn't agree with the adjudicator. It says in summary:

- Mr C had a strong repayment history which gave it confidence he could afford the loans.
- Each time he borrowed, Mr C told it he had plenty of disposable from which he could make repayments.

Lending Stream asked that an ombudsman look at Mr C's complaint.

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 has given us evidence showing that each time it lent to Mr C it asked him about his income and outgoings and recorded his credit score. It's recorded income of between £1,200 and £1,600 and outgoings of between £600 and £1,000.

Much like the adjudicator, I think these checks were appropriate for the first four loans. The amounts Mr C had to repay each month were quite small compared to his declared income and he told Lending Stream that he had enough left over each month to repay them. I think it was reasonable for Lending Stream to rely on this information up the point of the fourth loan. Mr C was paying each loan off early and there were quite large gaps between applications on the third and fourth loans. So I don't think there was enough to suggest the information Mr C was giving Lending Stream was inaccurate.

But by the time Mr C was applying for the fifth loan I think Lending Stream should've started to become concerned about his borrowing pattern. This time Mr C hadn't repaid his previous loan and the new loan was taken just a few weeks after it. This might've suggested that Mr C was becoming more reliant on his borrowing with Lending Stream. So I think it should've taken a more detailed look at his finances – to make sure they were as Mr C was declaring them to be. There's lots of ways Lending Stream could've done this. It could've asked Mr C for evidence of his income and outgoings, or it could've looked at his bank statements.

Had it done this I think Lending Stream would've seen that Mr C couldn't sustainably afford the combined first repayment on loans four and five. His bank statements show that his normal living expenses, regular credit commitments and outstanding short term loans took up virtually all of his income. He was running out of money each month within a couple of weeks of getting paid and he'd regularly been borrowing from a number of short term lenders to see him through the rest of the month – sometimes for quite large amounts compared to his income. So any further borrowing would likely have led to Mr C having to borrow again to pay it back.

There was a gap between the fifth and sixth loan applications of around four months. But by now I think Lending Stream should've been just as concerned whether Mr C could afford the loan repayments. After all, if it had done proportionate checks on the last loan, it would've known the extent of Mr C's financial circumstances. So I think it's likely it would've wanted to see a significant improvement on this before lending to him again.

There hadn't been much of an improvement at all and Mr C's bank statements show that he continued to borrow from other short term lenders. And he was now gambling quite significant amounts each month too. So I don't think Lending Stream would've agreed to the sixth or seventh loans either had it carried out appropriate checks.

Lending Stream should refund all interest and charges on the last three loans and remove any adverse information about them from Mr C's credit file.

my final decision

My final decision is that I uphold Mr C's complaint in part. To put things right Lending Stream LLC should:

- refund all interest and charges paid by Mr C on the loans taken from (and including) 29 July 2013.
- pay interest on these refunds at 8% simple* per year from the dates of payment to the date of settlement;
- remove any adverse information about these loans from Mr C's credit file.

*HM Revenue & Customs requires Lending Stream LLC to take off tax from this interest. Lending Stream LLC must give Mr C 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 Mr C to accept or reject my decision before 3 July 2017.

Michael Ball
ombudsman