

complaint

Mr G complains about information which Gain Credit LLC (trading as Lending Stream) recorded on his credit file.

background

Mr G took out two loans with Lending Stream in 2013.

Loan	Date	Amount	No. of instalments
1	04.08.13	£500	6
2	20.09.13	£250	6

Mr G made the repayments due in August and September 2013. But he missed the October payments and didn't make any further payments to Lending Stream after that.

In early November 2013, following receipt of arrears notices on the loans, Mr G asked Lending Stream to suspend action and freeze interest and charges on the loans, as he was setting up a Debt Relief Order. In early December 2013 Lending Stream sent Mr G default notices on both accounts.

Then in mid-December 2013, Mr G told Lending Stream that he was experiencing financial difficulties, and planned to file for bankruptcy. Two days later, Lending Stream sent him a termination notice and a formal demand for each loan. And in late April 2014 it recorded defaults against both loans on Mr G's credit file.

By June 2014, Lending Stream had transferred both loans to a debt collection agent. But the following month, it took the loans back, waived the outstanding debt and arranged for the late payments and defaults to be removed from Mr G's credit file to show the loans as settled. It explained that this was done as a goodwill gesture, to lessen Mr G's financial hardship and distress.

Mr G believes it was unfair of Lending Stream to record the defaults on his credit file in the first place. These have now been removed. But he believes that the end dates of the agreements should be amended on his credit file. He's pointed out that the termination notices specified that both agreements would be terminated in December 2013. And he believes that the entries on his credit file shouldn't show for more than six years beyond that date. But the end dates showing on his credit file are now in July 2014 for both loans.

Mr G says that if he hadn't complained to Lending Stream at all, the loans would only have remained on his credit file for six years from the date of default and termination of the agreements. So he believes that he'd have been in a better position if the defaults hadn't been removed. And he thinks it's unfair that he's effectively in a worse position because he complained. He believes the end dates of the loans should be amended to December 2013, when Lending Stream sent him the default notices.

Lending Stream says the loan agreements provide that the loan data remains on the borrower's credit file for six years after its files with the borrower's information are closed, whether by being settled, or being in default. And it says this means that the data will remain on Mr G's credit file until July 2020.

Our adjudicator asked Lending Stream whether it would be willing to amend Mr G's credit file to show the loans as having ended on 21 December 2013 - in other words, on the date on which Lending Stream sent Mr G the termination notices. But Lending Stream wasn't willing to do this. It explained that in accordance with standard industry practice for non-default accounts, the record would remain on Mr G's credit file for six years from the date of closure. That was 11 July 2014. The adjudicator thought what Lending Stream had done was fair in the circumstances.

Mr G didn't agree with the adjudicator's view. In summary, he says that any trace of a payday loan, whether settled or not, can severely reduce a consumer's ability to get a mortgage. And this is impacting on his ability to buy his first home. And he says that "waiting an additional 8 months" for the data to be removed from his credit file will delay his ability to get onto the property ladder. He still firmly believes that the six years should run from the date on which Lending Stream sent him the notices of default and termination.

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 should say at the outset that I note that there have been court proceedings connected with the loans Mr G took from Lending Stream. This Service often doesn't look into the merits of a complaint in those circumstances. But in this case I have done so. And having done so, I've reached the same conclusion as the adjudicator.

If the defaults hadn't been removed from Mr G's credit file, the loans would have remained there until six years after the defaults were recorded – in other words late April 2020. As it is, Lending Stream arranged to have the defaults removed in July 2014. And it marked the accounts as "settled" at that stage. It's true that this will mean that the loans will show on Mr G's credit file for a few months longer than they would have done if the defaults hadn't been removed. And I can understand why Mr G finds this frustrating. But against that, his credit file hasn't shown any defaults or late payments against the loans since the credit file was updated in July 2014. And that is even though Mr G only repaid a small proportion of the money he borrowed.

Mr G's commented that he's confident that if he'd brought a complaint about irresponsible lending, it would have succeeded and all negative information about the loans would have been removed from his credit file in any event. I can't comment on whether a complaint about irresponsible lending would have succeeded. I have to look at what actually happened. And having done so, I don't find that I can fairly and reasonably require Lending Stream to arrange for Mr G's credit file to be amended to show earlier end dates for the loans.

I should add, however, that even where we do find that a lender has made a loan irresponsibly, our usual approach is to direct the lender to remove all negative information about the loan. But we wouldn't require the lender to remove the record of the loan in its entirety.

It's clear that Mr G feels strongly about his position, and I can understand why he's frustrated about the situation he finds himself in. But having taken everything into account, I don't find that I can reasonably require Lending Stream to remove the loans from Mr G's credit file before the sixth anniversary of the date on which it recorded the loans as having been settled.

my final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 20 February 2020.

Juliet Collins
ombudsman