

complaint

Mr A says that Lending Stream Llc ('LS') shouldn't have given him loans.

background

Mr A took seven loans from LS between 2011 and 2013. He says that he was having money troubles at the time and getting all these loans just made things worse.

LS has said it did consider if the loans were affordable. But it says the first two loans were approved due to a '*procedural error*' so it is willing to refund the interest and charges on these along with 8% interest.

Our adjudicator looked at the case. She thought it wasn't reasonable for LS to continue lending to Mr A from the third loan onwards either. She said that at that point it knew Mr A was struggling and should've done more checks - if it had done it would've noticed that Mr A couldn't afford to borrow more.

LS doesn't agree with this. In summary it says that:

- the third loan was approved after a gap of almost 13 months – in which time Mr A's situation could have improved;
- he paid most of the loans on time;
- based on his credit scores and the income and expenditure information he provided the loans looked ok – and Mr A is under a duty to provide accurate information;
- it didn't know about Mr A's gaming and it wasn't required to look at his bank statements;
- it isn't a payday lender; and
- it set up a payment arrangement for the June 2013 loan and froze future interest and charges.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

LS says it shouldn't have given Mr A the first two loans (both in January 2011) and has offered to refund interest and charges on these – so I won't be looking at these loans in any detail. I will look at the third loan onwards.

was it reasonable for LS to lend the third loan and beyond?

In March 2012 LS lent to Mr A again. I appreciate that this was around 13 months from the last time it lent to him. But Mr A emailed LS in June 2011 to tell it he had lost his job. It appears that he was having payment difficulties around and leading up to that time.

Although Mr A said he was getting another job soon I think this information should have put LS on alert. It would've been reasonable for it to do some more detailed checks when it next lent to Mr A nine months later, to make sure he wasn't still having financial difficulties.

LS says it did a credit check but it hasn't provided the exact details of the credit check it made before granting the third loan – just a credit score. It says that Mr A's credit score was fine. But from Mr A's bank statements I can see that shortly before the third loan with LS he had taken out several other short term loans. I think it is likely that a reasonable credit check would have revealed these other loans to LS - which should've made it question whether Mr A had a dependency on short term lending.

I know LS said it relied on the income and expenditure information Mr A provided. It appears it did get an expenditure figure from him, but there isn't a breakdown of what this includes so I can't be sure if Mr A was given a reasonable opportunity to paint the full picture of his outgoings. And in any event, due to the past history of payment difficulties with LS (and what he said about losing his job), and his recent history of short term loans (which should've been revealed from a reasonable credit check) I think it would've been reasonable for LS to dig a bit deeper to see if the loan was affordable. LS said that Mr A's employment situation could've changed, but I can't see where it directly addressed this before it lent again.

Looking at Mr A's bank statements from around the time it is very clear to me that he was in a lot of trouble with money. His account is heavily overdrawn, there are regular short term loans going in and significant money going out on a regular basis on gambling. The same pattern continues after the third loan, throughout 2012 and right up to the seventh loan taken in April 2013.

All things considered I think reasonable checks would've shown LS that it wasn't responsible to lend to Mr A from the third loan onwards. So in addition to its offer regarding the first and second loans it should remove interest and charges from the other loans. And pay a refund of interest and charges where appropriate. It should also remove adverse information from Mr A's credit file in respect of the loans. It isn't fair for Mr A to get back the capital he borrowed because he has spent this. But if there is a capital balance outstanding then LS should speak to Mr A about a possible affordable payment arrangement.

my final decision

I direct Lending Stream Llc to:

- remove all interest and charges from the seven loans taken from 13 January 2011 to 29 April 2013;
- refund Mr A any interest and charges he has paid on these plus simple yearly interest at 8% calculated from the date of payment to the date of settlement; and
- remove all adverse information about the loans from Mr A's credit file.

If LS considers it is obliged to deduct tax from the interest element of my award it should provide Mr A with a certificate of tax deduction.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 24 October 2016.

Mark Lancod
ombudsman