

complaint

Miss C complains that Gain Credit LLC (trading as Lending Stream) gave her loans that she couldn't afford to repay.

background

Miss C was given four loans by Lending Stream between June 2012 and January 2013. Each of the loans was repayable in five or six monthly instalments. Although Miss C had some problems repaying her loans all of the loans have now been closed. A summary of Miss C's borrowing from Lending Stream is as follows;

Loan Number	Borrowing Date	Repayment Date	Loan Amount
1	04/06/2012	03/09/2012	£ 315
2	21/11/2012	31/07/2014	£ 115
3	10/01/2013	16/10/2017	£ 415
4	18/01/2013	16/10/2017	£ 415

Miss C's complaint has been assessed by one of our adjudicators. He thought that the checks Lending Stream had done before agreeing the first three loans had been sufficient. And although he thought that Lending Stream should have done more checks before agreeing the fourth loan, he thought that better checks would have shown that loan to be affordable. So he didn't think Miss C's complaint should be upheld.

Miss C didn't agree with that assessment. So, as the complaint hasn't been resolved informally, it has been passed to me, an ombudsman, to decide. This is the last stage of our process.

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've also taken into account the law, any relevant regulatory rules and good industry practice at the time the loans were offered.

Lending Stream was required to lend responsibly. It needed to make checks to see whether Miss C could afford to pay back each loan before it lent to her. Those checks needed to be proportionate to things such as the amount Miss C was borrowing, and her lending history, but there was no set list of checks Lending Stream had to do.

Lending Stream has shown us the results of the checks it did before lending to Miss C. Before each loan it asked her for details of her income, and her normal expenditure. And it used this information to calculate how much disposable income Miss C had left over each month. Lending Stream also checked Miss C's credit score, and those results don't suggest that Miss C's credit position was worsening over the time of the loans.

Each of Miss C's loans was repayable over a five or six month period. So the amounts that Miss C needed to repay each time were smaller than if she'd taken a normal payday loan. But of course she was committing to making those repayments over a longer period.

The highest repayment that Miss C needed to make on her first loan was just over £150. She'd told Lending Stream that she had around £700 of disposable income. At this stage of its relationship with Miss C I think it was reasonable for Lending Stream to rely on the information she'd provided. And that suggested the loan was easily affordable. So I don't think Lending Stream was wrong to give this loan to Miss C.

And I think the same applies to the second loan. Miss C repaid her first loan early. And there was then a gap of more than two months before she asked to borrow again. The amount Miss C asked to borrow was also much smaller. So again I think it was reasonable for Lending Stream to rely on the information Miss C provided. And since that suggested the loan was also affordable I don't think Lending Stream was wrong to give this loan to Miss C either.

Around two months later, whilst she was still repaying the second loan, Miss C asked to borrow again. So she'd now need to be making two repayments each month to Lending Stream. I think that might have caused some concerns to the lender. But Miss C had previously repaid her loans without any apparent difficulties. And she said that her disposable income had increased to £1,400 each month. So given the highest combined repayment Miss C would need to make on the two loans was just over £250 I think it was reasonable for Lending Stream to rely on the information it held about Miss C's finances here too. I don't think Lending Stream was wrong to lend to Miss C here.

Just over a week later Miss C asked to borrow again from Lending Stream. So she would now be repaying three loans at the same time. And although her disposable income had remained the same, the highest combined repayment Miss C would need to make was now around £460. So I think Lending Stream should have been concerned that Miss C's finances might have been under some pressure. Although I think that it was still reasonable at this stage for Lending Stream to rely on information being provided by Miss C I think it should have asked her some very specific questions about any other short term lending she was already committed to repaying.

But although I don't think the checks Lending Stream did before agreeing the final loan were sufficient, that in itself doesn't mean that Miss C's complaint should succeed. I'd also need to be persuaded that what I consider to be proportionate checks would have shown Lending Stream that Miss C couldn't sustainably afford the loan. So I've looked at Miss C's bank statements, and what she's told us about her financial situation, to see what better checks would have shown Lending Stream.

When she applied for this loan Miss C told Lending Stream that she had £1,400 of disposable income left over that she could use to repay her loan. Across the three loans that were outstanding her highest repayment was around £460. I can see that when she applied for this loan Miss C did have another short term loan outstanding. But even if Lending Stream had taken account of that loan, and reduced Miss C's disposable income accordingly, her combined repayment would have still seemed easily affordable. So I don't think Lending Stream was wrong to agree this loan.

I appreciate that Miss C has said her financial position was actually much worse. She says she was gambling heavily and that her income was much less than she'd declared to Lending Stream. But this wasn't information she gave to Lending Stream when she applied for the loans. And I don't think it was something that Lending Stream would have discovered from what I consider to be proportionate checks. I think Lending Stream was entitled to rely on the information Miss C provided without independently checking what she'd said.

Overall I think that the checks Lending Stream did before agreeing the first three loans were sufficient and suggested the loans were affordable for Miss C. And although I think that Lending Stream should have done more checks before agreeing the fourth loan, I think that proportionate checks would have still shown that loan to be affordable too.

my final decision

For the reasons given above, I don't uphold the complaint or make any award against Gain Credit LLC

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 21 October 2018.

Paul Reilly
ombudsman