

## **complaint**

Mr M complains that Lending Stream LLC was irresponsible to lend money to him.

## **background**

Mr M took out 23 instalment loans with Lending Stream between 2014 and 2015. The loans were for between £80 and £750 and were each due to be repaid in six monthly instalments – although some overlapped. For clarity, a summary of Mr M's borrowing history can be found in the appendix, at the end of this decision.

Mr M feels that Lending Stream was irresponsible to agree to these loans. Lending Stream disagreed and so the complaint was referred to our service. Our adjudicator found that Lending Stream hadn't carried out proportionate checks on Loans 3 to 23 (inclusive). Had it done so, our adjudicator thought Lending Stream wouldn't have agreed to any of these loans. So they partially upheld Mr M's complaint.

Lending Stream responded to the adjudicator's view, offering to pay redress for some of the loans. The offer wasn't in line with the adjudicator's recommendations and Mr M didn't accept it.

The complaint was passed to me and on 13 July 2017 I issued a provisional decision explaining why I thought Mr M's complaint should be upheld in part. Mr M replied to say he agreed with my findings, while Lending Stream submitted a number of further points. I've considered these comments in my findings below.

## **my findings**

I've looked at all the available evidence and arguments when considering 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.

With regard to all the loans Lending Stream provided, it was required to lend responsibly. It needed to make checks to see whether Mr M could afford to pay back each loan before it lent to him. There's no set list of what a lender should do to check affordability in every case. But checks should be proportionate to things like the size of the loan, the repayments, what the lender knows about the consumer and what the consumer tells the lender about their circumstances.

Lending Stream's told us that it carried out credit and affordability checks for each loan and Mr M's credit score was acceptable each time. I don't doubt that it carried out some checks and that it made positive lending decisions based on these checks. But that doesn't mean to say that the checks were sufficient, or that Lending Stream would have made the same decisions if it had made further enquiries about Mr M's circumstances.

### *Loan 1*

Mr M took his first loan of £450 with Lending Stream in 2014. The loan was to be repaid over six instalments, the largest instalment being £243. This was a small proportion of Mr M's declared income of £3,000. And as this was Mr M's first loan with Lending Stream, I don't think there was any reason for it to doubt Mr M's figures or think that he might be struggling financially. So I wouldn't have expected Lending Stream to do any further checks before agreeing to Loan 1.

### *Loan 2*

Before Loan 1 was repaid, Mr M took another loan with Lending Stream. This loan was for £390 and was to be repaid over six instalments – the largest being £210.60. As both loans were running alongside each other, I think Lending Stream should have thought about the combined instalments when considering affordability. The maximum Mr M would have been expected to pay for both loans in one month was around £400. So at this point I'd expect Lending Stream to ask about Mr M's monthly spending as well as his income.

I can see that Lending Stream did ask about spending – and Mr M said his regular financial commitments were around £1,000 a month. This left him with £2,000 disposable income, which would have comfortably covered the monthly repayments for Loans 1 and 2. Again, I don't think at this stage there was any reason for Lending Stream to query Mr M's figures. So I wouldn't have expected it to make further checks before deciding Loan 2 was affordable for Mr M.

### *Loan 3*

On the same day that Mr M repaid Loan 2, he took out his third loan with Lending Stream. This loan was for £610 and was to be repaid over six instalments – the largest instalment being £329. The amount Mr M wanted to borrow had increased and I can see that his declared monthly spending – which he gave as £1,000 two months earlier – had dropped to £550. I think this should have prompted Lending Stream to ask more questions about Mr M's financial circumstances, particularly his regular commitments (including any short term credit). I wouldn't necessarily expect Lending Stream to have verified the information at this point. But given the borrowing pattern Mr M was establishing, I think proportionate checks would have included further questions.

Had Lending Stream made these checks and asked Mr M for more information, I think it would have seen that his regular spending, including short term credit commitments, was closer to £2,300. However, this still left him with a disposable income of around £700 – well over the maximum scheduled repayment. So I don't think Lending Stream would have changed its decision to offer Loan 3 to Mr M.

#### *Loan 4*

When Mr M requested Loan 4, it was his fourth loan in as many months – and Loan 3 was still running. So I think he was beginning to show a pattern of borrowing that might suggest he was coming to rely on short term credit for normal living expenses, rather than to cover unexpected financial problems. And I think this should have prompted Lending Stream to ask more questions about Mr M's finances. He asked to borrow £130 to be repaid over six instalments – the highest instalment amount being £70. As well as asking Mr M about his monthly income and expenditure, Lending Stream should have asked questions about any regular financial commitments and any other short term lending he had as well.

I can't say whether Lending Stream specifically asked about other short term lending within the expenditure figure it recorded. But again, if it had, looking at the information I have about Mr M's actual commitments at that time, I think it would have considered the loan to be affordable. So I think Lending Stream would still have agreed Loan 4.

#### *Loans 5 – 23*

From Loan 5 onwards, I don't think the checks Lending Stream completed were enough. Mr M continued to borrow various amounts, with no or very short gaps between loans – at one point in early 2015 he had five loans running at once. His declared monthly spending fluctuated between 700 and £1,000, while his declared income briefly rose to £3,500 before going back to £3,000.

Taking all these factors together, I think by this stage Lending Stream should have done a full financial review of Mr M's circumstances, to verify the information he'd provided. Lending Stream has said it didn't ask customers for their bank statements. But there are other ways it could have checked Mr M's figures – for example by requesting copies of payslips, bills or other documentation.

At the time he took Loans 5 to 23, Mr M was spending a substantial amount on gambling each month. Lending Stream has said that it only learned this in my provisional decision – but it had given Mr M opportunities to tell it about his circumstances during the time he was borrowing. And it's pointed out that its credit checks were limited to what was shown on Mr M's credit report at the time – which wouldn't necessarily be all his financial commitments.

I don't know exactly what the opportunities for Mr M to provide information looked like. So I can't say whether Mr M would have realised that he was expected to disclose gambling habits as well as normal expenditure. And in any event, as I've explained, I don't think it was enough at this stage for Lending Stream to rely on the information Mr M gave. I think his borrowing history and repeated loan requests were indicative of someone who was struggling to manage their finances – and may be using short term lending to cover normal living costs rather than as a solution to temporary financial problems. So I think proportionate checks would have included verifying Mr M's circumstances – in the knowledge that his credit report may not provide a complete picture and so other sources of information should be considered.

Had Lending Stream carried out such checks, I think it would have seen that, as well as the gambling payments, Mr M was taking loans from other payday lenders to support his income. So looking at all of this together, Lending Stream would have seen that Mr M didn't have enough disposable income to repay these loans in a sustainable way.

Lending Stream has said that Mr M notified it of financial difficulties in late 2015, when he lost his job. In response Lending Stream offered a “payment holiday”, allowing him to temporarily suspend repayments. A couple of months later it invited Mr M to set up a payment plan and passed his account to a debt collection agency when Mr M didn’t respond. Lending Stream has offered this as an example of how it identifies and responds to consumers in financial difficulty.

But while Lending Stream might have treated Mr M fairly when he alerted it to a change in circumstances, that doesn’t mean it carried out proportionate checks during the loan applications, or that it was responsible to agree Loans 5 to 23. I appreciate that some of the loans were for relatively small amounts compared to Mr M’s income. But I still don’t think Lending Stream carried out proportionate checks for Loans 5 to 23. Had it done so, it would have seen that Mr M was spending significant amounts on gambling and other short term lending. And so, as a responsible lender, I don’t think Lending Stream would have considered it appropriate to provide Mr M with further credit.

### **putting things right**

As I don’t think Lending Stream should have given Mr M loans 5 to 23 inclusive, as detailed in the table below, I require it to put things right as follows:

- A. calculate how much Mr M paid as interest and charges for loans 5 to 19. To each of these sums, it must add 8% simple interest a year\*, from the date Mr M paid them to the date of settlement.
- B. remove all the interest and charges that haven’t yet been paid in respect of loans 20 to 23 from the outstanding balance on those loans. Lending Stream should then apply any repayments made in respect of loans 20 to 23 as though they were repayments of the principal sum. If there is still a principal balance left owing, Lending Stream may apply the sum calculated in “A” above to reduce that principal amount and then refund the balance to Mr M.
- C. If, after the sum in “A” has been applied against the principal balance outstanding, there is still a sum outstanding, a mutually agreeable repayment plan should be arranged. If however, the refund amount covers the entire principal and some refund is left over, the remaining amount of refund – together with interest at 8% from the date the principal sum was repaid – should be paid to Mr M.
- D. Remove any adverse entries relating to these loans from Mr M’s credit file.

\*HM Revenue & Customs requires Lending Stream to take off tax from this interest. It must give Mr M a certificate showing how much tax it’s taken off if Mr M asks for one.

**my final decision**

For the reasons above I uphold Mr M's complaint in part and require Lending Stream LLC to put things right as outlined.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 18 September 2017.

Cara Goodbody  
**ombudsman**

**APPENDIX**

|                | <b>Date taken</b> | <b>Date closed</b> | <b>Amount</b> | <b>Number of instalments</b> | <b>Amount of instalments</b>                                 |
|----------------|-------------------|--------------------|---------------|------------------------------|--|
| <b>Loan 1</b>  | 03/04/2014        | 25/06/2014         | £450          | 6                            | £153 / £243 / £212.40 /<br>£181.80 / £151.20 / £120.60       |
| <b>Loan 2</b>  | 25/05/2014        | 25/07/2014         | £390          | 6                            | £132.60 / £210.60 / £184.08 /<br>£157.56 / £131.04 / £104.52 |
| <b>Loan 3</b>  | 25/07/2014        | 22/08/2014         | £610          | 6                            | £207.40 / £329.40 / £287.92 /<br>£246.44 / £204.96 / £163.48 |
| <b>Loan 4</b>  | 17/08/2014        | 22/08/2014         | £130          | 6                            | £44.20 / £70.20 / £61.36 /<br>£52.52 / £43.68 / £34.84       |
| <b>Loan 5</b>  | 24/10/2014        | 25/11/2014         | £750          | 6                            | £187.50 / £337.50 / £300 /<br>£262.50 / £225 / £187.50       |
| <b>Loan 6</b>  | 28/10/2014        | 23/01/2015         | £250          | 6                            | £62.50 / £112.50 / £100 /<br>£87.50 / £75 / £62.50           |
| <b>Loan 7</b>  | 30/01/2015        | 11/03/2015         | £400          | 6                            | £86.40 / £169.60 / £156.80 /<br>£133.76 / £123.52 / £98.56   |
| <b>Loan 8</b>  | 01/02/2015        | 11/03/2015         | £100          | 6                            | £20 / £42.40 / £39.20 / £33.44<br>/ £30.88 / £24.64          |
| <b>Loan 9</b>  | 07/02/2015        | 11/03/2015         | £200          | 6                            | £30.40 / £84.80 / £78.40 /<br>£66.88 / £61.76 / £49.28       |
| <b>Loan 10</b> | 11/02/2015        | 11/03/2015         | £200          | 6                            | £68.80 / £88 / £75.84 / £72.64<br>/ £54.72 / £40             |
| <b>Loan 11</b> | 16/02/2015        | 11/03/2015         | £100          | 6                            | £30.40 / £44 / £37.92 / £36.32<br>/ £29.28 / £22.08          |
| <b>Loan 12</b> | 26/03/2015        | 22/05/2015         | £650          | 6                            | £156 / £275.60 / £271.44 /<br>£220.48 / £196.56 / £162.24    |
| <b>Loan 13</b> | 27/03/2015        | 24/04/2015         | £250          | 6                            | £58 / £106 / £104.40 / £84.80 /<br>£75.60 / £62.40           |
| <b>Loan 14</b> | 04/04/2015        | 24/04/2015         | £100          | 6                            | £16.80 / £42.40 / £41.76 /<br>£33.92 / £30.24 / £24.96       |
| <b>Loan 15</b> | 14/05/2015        | 22/05/2015         | £250          | 6                            | £86 / £108 / £101.20 / £87.20 /<br>£67.60 / £50              |
| <b>Loan 16</b> | 02/06/2015        | 25/06/2015         | £250          | 6                            | £48 / £108 / £101.20 / £87.20 /<br>£72.40 / £63.20           |
| <b>Loan 17</b> | 04/06/2015        | 25/06/2015         | £250          | 6                            | £44 / £108 / £101.20 / £87.20 /<br>£72.40 / £63.20           |
| <b>Loan 18</b> | 05/06/2015        | 25/06/2015         | £80           | 6                            | £13.44 / £34.56 / £32.32 /<br>£27.78 / £23 / £19.96          |
| <b>Loan 19</b> | 16/06/2015        | 25/06/2015         | £100          | 6                            | £31.20 / £45.60 / £39.84 /<br>£33.44 / £29.92 / £20          |

|                | <b>Date taken</b> | <b>Date closed</b> | <b>Amount</b> | <b>Number of instalments</b> | <b>Amount of instalments</b>                              |
|----------------|-------------------|--------------------|---------------|------------------------------|---|
| <b>Loan 20</b> | 30/08/2015        | -                  | £300          | 6                            | £64.80 / £127.20 / £123.36 /<br>£101.76 / £90.72 / £74.88 |
| <b>Loan 21</b> | 01/09/2015        | -                  | £300          | 6                            | £60 / £127.20 / £123.36 /<br>£101.76 / £90.72 / £74.88    |
| <b>Loan 22</b> | 08/09/2015        | -                  | £250          | 6                            | £36 / £106 / £102.80 / £84.80 /<br>£75.60 / £62.40        |
| <b>Loan 23</b> | 13/09/2015        | -                  | £150          | 6                            | £49.20 / £69.60 / £57.84 /<br>£53.04 / £40.32 / £30       |