

complaint

Miss J complains that Lending Stream Llc didn't carry out proper affordability checks and irresponsibly granted her unaffordable short term loans. She wants the balance written off, charges and interest refunded, compensation and her credit file amended.

background

Lending Stream said it'd lent Miss J 7 loans. It'd carried out all necessary checks and considered the information Miss J had given before approving the loans. The loans were affordable. But considering her financial position it'd offered to waive the total outstanding balance on two loans. It would also amend her credit file. It said it was also prepared to set up an alternate payment arrangement on the remaining two loans.

Our adjudicator felt this complaint should be upheld. She said:

- The information provided by Miss J appears to show the loans were affordable. And Lending Stream carried out credit checks and didn't approve every loan she applied for. But her credit score was poor. Lending Stream says the first three loans were "pre-closed" but Miss J was borrowing from several lenders at the time often using one loan to repay others.
- By the time Miss J took out the fourth loan it should've been apparent to Lending Stream that she was in difficulty and was becoming reliant on short term borrowing and payday loans.
- Miss J has had the benefit of the money she borrowed. So, her liability should be limited to the principle sums she received from loan 4 on 18 December 2011. These amounts totalled £780 and this is the amount she should repay. Lending Stream's statements show it's received £1,511.25 in relation to these loans so it should refund £731.25 plus interest and update her credit file accordingly.

Lending Stream doesn't agree. In summary it says it provides six months instalment loans to clients who aren't serviced by regular banks. So, it will accept poorer credit scores. And this is only one of a number of factors it takes into account. During the approval of the fourth loan Miss J was making timely payments towards the second and third loans. Its lending wasn't irresponsible and was affordable given the information she'd given. It's repeated its previous offer.

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 says it doesn't think lending many loans should be considered irresponsible lending unless the customer's expenditure is more than her income. But I think that's only one possible sign of irresponsible lending.

In this case Miss J quickly established a pattern of regular borrowing each month. And as these loans were six month instalment loans, she was quickly increasing the number of loans she was paying off at the same time.

I agree with the adjudicator that by the time of the fourth loan application Lending Stream should've been alerted to the fact that Miss J may have been in financial difficulty and was reliant on short term lending, even though she may still have been making timely regular payments to the previous loans. At this time I think it would've been appropriate for it to have asked more questions of her and carried out further checks.

Taking everything into account I don't think Lending Stream has shown the fourth and later loans were responsibly lent. And I don't think its recent offer goes far enough.

So, I think it's fair and reasonable for the interest and charges on all loans from loan 4 on 18 December 2011 to be refunded plus interest. These loans should also be removed from Miss J's credit file.

As the adjudicator's said Miss J has had the benefit of the money she borrowed. So, I agree we can't fairly require Lending Stream to write off any balances still owing for that. But obviously if Miss J still owes any of the money she borrowed the refund can be used to offset anything still owing for that.

my final decision

I uphold this complaint and I require Lending Stream Llc:

1. To refund all interest and charges on all loans from 18 December 2011 plus pay simple interest at the rate of 8% a year from the date each such sum was paid until the date of settlement; and
2. To remove any information on loans from 18 December 2011 from Miss J's credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss J to accept or reject my decision before 18 July 2016.

Stephen Cooper
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