

## complaint

Miss M complains that Gain Credit LLC (trading as Lending Stream) was irresponsible to lend her money.

## background

Miss M had 14 instalment loans from Lending Stream between June 2013 and May 2014 as follows:

Loan	ID	Date	Amount	Term	Repaid	Notes
1	1593191	16-Jun-13	£270	6 months	26-Nov-13	
2	1598182	19-Jun-13	£115	5 months	26-Nov-13	
3	1613597	29-Jun-13	£145	5 months	22-Nov-13	
4	1722380	13-Sep-13	£150	6 months	26-Feb-14	
5	1756636	09-Oct-13	£120	6 months	26-Mar-14	
6	1781515	28-Oct-13	£150	6 months	25-Apr-14	
7	1817972	26-Nov-13	£120	6 months	23-May-14	
8	1852070	24-Dec-13	£50	6 months	Open	Sold to third party
9	1858399	31-Dec-13	£90	6 months	Open	Sold to third party
10	1899869	09-Feb-14	£110	6 months	Open	Sold to third party
11	1937053	15-Mar-14	£110	6 months	Open	Sold to third party
12	1966960	12-Apr-14	£120	6 months	Open	Sold to third party
13	2019329	23-May-14	£180	6 months	Open	Sold to third party
14	2023560	27-May-14	£100	6 months	Open	Sold to third party

Miss M says it was inappropriate to allow so many loans, especially as many were concurrent. She says the loans trapped her into a debt spiral as she couldn't afford to pay priority bills without borrowing again, including from other short-term lenders.

Lending Stream says it asked Miss M about her income and expenditure and checked her credit record. It says that, based on the information provided, the loans were affordable. Lending Stream also says Miss M told it she was enrolled with a Debt Management Company (DMC) in June 2014 and it offered her the required assistance. Nevertheless, it's now offered to close loans 8, 9, 10 and 11 with no further payments. Lending Stream also offered to waive the remaining interest due on loans 12, 13 and 14, leaving £282.40 to pay for which it offered to set up a payment arrangement.

Our adjudicator recommended the complaint should be upheld. He found Lending Stream had done enough checks for the first three loans and had no reason to find them unaffordable. However, he considered Lending Stream should have asked Miss M about other short-term lending commitments before it approved the fourth loan and, by the time she applied for her fifth, and subsequent loans, our adjudicator thought Lending Stream should have carried out a full financial review. He was satisfied that had Lending Stream done these additional checks, it would have found Miss M owed significant amounts to other short-term loan companies and also had a gambling habit. He considered Lending Stream was likely to have found ongoing lending irresponsible if it had this information and recommended it refunded the interest and charges on loans 4 to 14 (plus 8% statutory interest). He also said that any associated adverse information should be removed from Miss M's credit file.

Lending Stream responded to say, in summary, that Miss M's disposable income was sufficiently large when compared with the borrowed amounts and that it was her responsibility to provide accurate information. It added that Miss M had a good repayment record and her credit record did not cause any concerns about affordability.

### **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 was required to lend responsibly. It should have made checks to make sure Miss M could afford to repay the loans before it lent to her. Those checks needed to be proportionate to things such as the amount Miss M was borrowing, and her lending history. But there was no set list of checks Lending Stream had to do.

#### Loans 1 and 2

The maximum repayment that Miss M needed to make in one month for both of these loans was £182. As this was a small proportion of Miss M's declared income (£1,700), and she had an acceptable credit record, I can't say Lending Stream was wrong to approve either of these loans.

#### Loan 3

When Miss M took out her third loan, she still owed money on the first two loans. This meant her maximum payment was over £260. At this point, I consider a proportionate check should have included asking Miss M about her outgoings. Lending Stream did this and Miss M declared her disposable income to be around £700. I can understand, therefore, why Lending Stream approved this loan.

#### Loan 4

This was Miss M's fourth loan in quick succession and she hadn't repaid any of the other three at this stage. Her scheduled maximum repayment was almost £280, so I think Lending Stream should have also asked Miss M whether she had any other short-term commitments. Lending Stream didn't do this, but, had it done so, it would have found she also needed make a payment of almost £550 to another short-term loan company at the same time as her Lending Stream payments. Given her declared disposable income remained at £700, I find this loan was unaffordable to her.

#### Loans 5 and 6

Miss M applied for both these loans in October 2013, when none of the previous loans had yet been repaid. Her maximum scheduled repayments were over £300 in each case and, given her borrowing history, I consider Lending Stream should have carried out a full financial review before approving these, and all the remaining loan applications.

I have reviewed Miss M's bank statements and found that, on average her income was around £2,000 per month. Her regular expenditure totalled about £1,100 per month including rent, bills, food, travel and other financial commitments. So that left Miss M with about £900 of disposable income each month.

However, in November 2013, when Miss M was due to repay over £340 to Lending Stream, she also needed to repay over £1,300 to other short-term lenders. In addition to this Miss M spent over £700 on gambling in October 2013 and a further £360 in November 2013.

I'm satisfied, therefore, that Lending Stream would not have found loans 5 and 6 to be affordable had it carried out a full financial review.

#### Loans 7 to 14

Miss M's disposable income remained at roughly £900 for the remaining loans and the maximum scheduled Lending Stream repayments varied between £230 and £310. But Miss M's reliance on short-term lending continued and between December 2013 and May 2014 she needed to repay at least £1,400 each month to such loans. In addition to that, Miss M carried on gambling, so I can't see that Lending Stream would have approved any of the remaining loans had it carried out proportionate checks.

I accept what Lending Stream says about Miss M's income relative to the borrowed amounts and her obligation to provide accurate information. I'm also satisfied Lending Stream was entitled to rely on such information for the early loans. However, as part of a full review, Lending Stream should've verified the information provided by Miss M. So, in this case, I find it should have done so from loan 5 onwards. That said, I also acknowledge Lending Stream froze interest charges on the loans after Miss M told it she was using a DMC in June 2014.

#### **my final decision**

My decision is that I uphold this complaint. Gain Credit LLC (trading as Lending Stream) should:

- Refund all interest and charges that Miss M paid on loans 4 to 14 inclusive;
- Pay interest of 8% simple a year on all refunds from payment date to settlement date\*;
- Deduct from this amount any refunds already paid.
- Write off any unpaid interest and charges of loans 8 to 14, apply the refund to reduce any capital outstanding and pay any balance to Miss M;
- Arrange to repay any portion of the sum due to the third party that is made up of interest and charges – including any added by the third party;
- Pay Miss M interest and charges she's already paid to the third party plus 8% interest simple per annum on each amount from the payment date to the settlement date;
- Remove any negative information about loans 4 to 14 from Miss M's credit file;
- Ask the third party to remove adverse information it may have recorded on loans 8 to 14.

\*HM Revenue & Customs requires Lending Stream to take off tax from this interest. Lending Stream must give Miss M a certificate showing how much tax it's taken off if she asks for one. If Lending Stream intends to apply the refund to reduce any outstanding capital balance, it must do so after deducting the tax.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 30 April 2018.

Amanda Williams  
**ombudsman**