

complaint

Mrs G complains that Lending Stream LLC gave her unaffordable instalment loans. She wants the outstanding balances written off and her interest refunded.

background

Mrs G had 16 loans from Lending Stream between December 2014 and March 2016. She said she was in a poor financial situation and was borrowing to repay other loans. Lending Stream agreed that Mrs G had struggled to repay her last six loans. It closed two accounts and offered to settle four others on repayment of the outstanding principal only.

Our adjudicator recommended that the complaint should be upheld in part. He thought Lending Stream's checks on affordability were proportionate and sufficient for Mrs G's first four loans. But he thought it should have looked more closely at her circumstances after that. If it had made further checks when she took out her fifth loan, it would have seen that Mrs G was gambling and was reliant on short-term lending. But Mrs G received a large lump sum in the month she took out this loan. So he thought it wasn't unreasonable for Lending Stream to approve it.

After that, Mrs G's income dropped and just covered her living expenses. He thought that if Lending Stream had made checks it would have seen that she couldn't afford its loans. So he thought it should refund interest and charges from Mrs G's sixth loan onwards, with interest, and use this to repay any principal outstanding. He also thought it should remove any adverse information from Mrs G's credit file.

Lending Stream replied that Mrs G's credit scores were good for all her loans. She had a good repayment history and settled most of her loans early. It said all the loans were affordable.

my findings

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

Mrs G's first loan was for £470 (£810 with interest). Her later loans ranged from £50 to £710. All her loans have now been closed.

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

Lending Stream checked Mrs G's credit file for each loan. When she applied for her second loan, she had a recent default. She had nine active loans with other lenders and the balance she owed when she first started borrowing was just under £1,000. This reduced over the course of her loans to about £600. Lending Stream asked Mrs G for her income (£1,550 to £1,750) and expenditure (£986 to £1,225) for each loan. It calculated that her disposable income ranged between £625 and £375 a month.

I think Lending Stream's affordability checks for Mrs G's first four loans were proportionate and sufficient. Her monthly instalment repayments were within her calculated disposable income. This took into account her other debts.

Mrs G had a recent default, but I don't think this by itself was a reason not to lend to her. I think it was reasonable for it to rely on Mrs G's stated income and expenditure for these first loans. So I can't say that this lending was irresponsible.

By the time of her fifth loan application, Mrs G had been borrowing from Lending Stream continuously for seven months. Her loans overlapped for the next year so her repayments increased.

Instalment loans aren't intended for long term use. They are an expensive form of borrowing intended for short-term use. So I think at this point Lending Stream should have looked more closely at Mrs G's financial circumstances to check for a dependency on short-term lending.

I've looked at Mrs G's bank statements from the time to get this information, but Lending Stream could easily have asked Mrs G for it. These show that Mrs G was borrowing increasing amounts to repay existing loans and to fund her gambling. Her expenditure usually exceeded her income. So she didn't have enough to repay further loans.

Mrs G received a lump sum at the time she had her fifth loan. I think that if Lending Stream had seen this it would still have been reasonable for it to lend to Mrs G. So I can't say that its lending for loan five was irresponsible.

But Mrs G had lost her job and her income decreased. She then had no disposable income left after meeting her living costs.

So I think that if Lending Stream had made further enquiries, as it should have done, it would have seen, as I have, that Mrs G couldn't afford further loans. Her situation continued to worsen. And so I think its lending from loan six onwards was irresponsible.

Lending Stream has acknowledged Mrs G's difficulties. It's waived outstanding interest and charges on four loans and closed two others.

But I don't think this goes far enough.

my final decision

My final decision is that I uphold this complaint in part. I require Lending Stream LLC to do the following:

1. Refund Mrs G the interest and charges she paid from her sixth loan onwards, adding interest at 8% simple per annum from the date of payment to the date of settlement.
2. HM Revenue & Customs requires Lending Stream to withhold income tax from that interest. It must give Mrs G a certificate showing how much it's taken off if she asks for one.

3. Remove any adverse information relating to these loans from Mrs G's credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G to accept or reject my decision before 15 May 2017.

Phillip Berechree
ombudsman