

complaint

Mr S complains that Gain Credit LLC (trading as Lending Stream) gave him loans that he couldn't afford to repay. He asks that it refunds interest and charges and removes information about the loans from his credit file.

background

Mr S took out nine loans between August 2012 and December 2014. He says he had numerous short term loans which he used to repay previous loans and fund a gambling habit. He says Lending Stream would have known this if it had made responsible checks.

The adjudicator recommended that the complaint should be upheld, saying:

- Lending Stream made proportionate checks before offering the first three loans and the fifth loan.
- Lending Stream should have made further checks before offering the fourth loan and loans six to nine. Had it made proportionate checks it was likely Lending Stream would have assessed loans 4, 6, 7 and 8 as affordable. Had it made proportionate checks before the last loan, it would have known about Mr S's gambling and that further lending wasn't responsible.

The adjudicator said Lending Stream should refund interest and charges on the last loan, with interest at 8%, and remove adverse information about the loan from Mr S's credit file.

Lending Stream agreed and said it had already written off the last loan. Mr S didn't agree. He said his pattern of borrowing should have prompted further investigation by Lending Stream.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Where the evidence is incomplete, inconclusive or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

Loans 1 and 2

Mr S applied for the first loan, of £415, in August 2012. The loan was repayable in six monthly instalments. The largest instalment was £207.50. Mr S told Lending Stream his monthly income was £1,520 and his expenditure was £150. He said he was paid on the last working day of the month.

Mr S applied for the second loan, of £430, in October 2012. He said his monthly income was £1,520 and his expenditure was £200. The loan was repayable in six instalments. Mr S was still repaying the first loan. The largest amount Mr S had to pay in a pay period (that is, between his usual payday) was £373.

I think the checks made by Lending Stream before it offered these loans were proportionate. It asked about Mr S's income and expenditure and the information it received suggested the loans were affordable.

Loans 3 and 4

Mr S applied for the third loan, of £250, in August 2013. The loan was repayable in six monthly instalments. The largest instalment was £125. Mr S told Lending Stream his monthly income was £1,660 and his expenditure was £500.

Mr S applied for the fourth loan, of £330, in August 2013. Mr S repaid the previous loan early, on the same day he took out the fourth loan. The loan was repayable in six monthly instalments. The largest instalment was £165. He said his monthly income was £1,660 and his expenditure was £300.

I think the checks made by Lending Stream before it offered these loans were proportionate. It asked about Mr S's income and expenditure and the information it received suggested the loans were affordable. There was a break of more than four months between Mr S repaying the second loan and taking out the third loan. So I don't think Lending Stream would have been alerted to a possible problem, such as reliance on short term lending.

Loan 5

Mr S repaid the fourth loan in September 2013. He applied for the fifth loan, of £150, in July 2014. The loan was repayable in six instalments. The largest instalment was £81. Mr S told Lending Stream his monthly income was £1,650 and his expenditure was £1,173.

I think, given the break in borrowing and the amount of the instalments, the checks made by Lending Stream were proportionate. It asked about Mr S's income and expenditure and the information it received suggested the loan was affordable.

Loan 6

Mr S applied for the sixth loan, of £880, in September 2014. He said his monthly income was £1,750 and his expenditure was £220. The loan was repayable in six instalments and the largest instalment was £475.

I think, given the amount of the loan and the instalments and that instalments were payable for six months, Lending Stream should have made further checks. I think it should have asked about Mr S's short term commitments. But I'm not sure if it had it would have known the loan was unaffordable. Mr S's bank statements show payments to short term lenders (other than Lending Stream) of about £800 between taking out the loan and late October 2014. Mr S would have had enough income to meet his stated expenditure, his short term commitments and the loan repayments.

While Mr S's bank statements show payments to gambling businesses, I don't think Lending Stream would have known this. I don't think, at this point, it would have been proportionate for Lending Stream to ask for Mr S's bank statements.

I don't think, based on the available evidence, I can fairly say that Lending Stream would have known this loan wasn't affordable if it had made proportionate checks.

Loans 7 and 8

Mr S applied for the seventh loan, of £420, in November 2014. Mr S had repaid the previous loan in October 2014. He said his monthly income was £1,750 and his expenditure was £370. The loan was repayable in six instalments and the largest instalment was £226.

Mr S applied for the eighth loan, of £300, in November 2014. He said his monthly income was £1,750 and his expenditure was £500. The loan was repayable in six instalments. The previous loan was still outstanding and the largest amount payable in one month was £388.

I think, given the amount of the instalments and Mr S's pattern of borrowing Lending Stream should have made more checks. I think it should have asked for information about Mr S's short term commitments. Mr S's bank statements show payments to short term lenders (other than Lending Stream) of about £250 between late November and late December 2014. Mr S would have had enough income to meet his stated expenditure, his short term commitments and the loan repayments.

I don't think, based on the available evidence, I can fairly say that Lending Stream would have known these loans weren't affordable if it had made proportionate checks.

Loan 9

Mr S applied for the ninth loan, of £880, in December 2014. He'd repaid the previous loans. Mr S told Lending Stream his monthly income was £1,750 and his expenditure was £398. The loan was repayable in instalments and the largest instalment was £373.

This was Mr S's fifth loan in about five months. I think, given the amount of the loan and instalments and Mr S's borrowing pattern, Lending Stream should have made further checks. I think it should have asked for information to gain a full understanding of his financial circumstances. While there are different ways of doing this, one is to look at his bank statements. Had it done so, Lending Stream would have been aware of a possible gambling problem. I think it would have known that further borrowing wasn't affordable or sustainable.

I don't think Lending Stream should have offered this loan to Mr S. Lending Stream says the loan balance was written off after Mr S had paid £721 towards the loan. So there's no interest or charges to refund or waive. However, I think Lending Stream should remove any adverse information about the loan from Mr S's credit file.

my final decision

My decision is that I uphold this complaint. I order Gain Credit LLC to remove any adverse information about the ninth loan from Mr S's credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 12 April 2018.

Ruth Stevenson
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