

## **complaint**

Mr W complains that Lending Stream LLC lent money to him that he could not afford to repay.

## **background**

Mr W took out twenty loans with Lending Stream between March 2014 and December 2015. He says that the loans were unaffordable and that Lending Stream did not carry out sufficient checks before providing the loans.

Lending Stream says that it carried out the necessary checks before the loans were provided to Mr W. It says that providing multiple loans is not irresponsible lending if the customer's disposable income is sufficient to meet the repayments. It did say that a procedural error had occurred while approving one of the loans and because of this it offered to refund the interest and charge on this loan.

Our adjudicator partially upheld this complaint. He noted that Lending Stream had already upheld loan seven and so he did not consider this loan further. He thought that the checks carried out before loans one to four were sufficient. However he thought further checks should have been carried out before the remaining loans were provided and that had this happened Lending Stream would have realised that Mr W did not have sufficient disposable income to repay the loans.

Lending Stream did not accept our adjudicator's view. It said that based on Mr W's disposable income the loans were affordable. It explained that it set a minimum threshold for expenditure items and so if a number received from a customer is too low the minimum threshold is applied. Lending Stream said that it assessed Mr W's credit worthiness and that Mr W was found to have a good credit standing. It understood that Mr W's disposable income on his bank statements was less than the amount he had disclosed and said that this signified that Mr W had misrepresented his expenditure details. It said that Mr W did not tell it about his gambling addiction or that he was in financial difficulties at the time of the loans.

## **my findings**

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

Mr W took out twenty loans with Lending Stream between March 2014 and December 2015. Before agreeing to lend to Mr W, Lending Stream had to make sure each time that he could afford to repay the loans. Affordability checks should be proportionate. What is proportionate depends on things like – but not limited to – the size of the loan, the repayments, what Lending Stream knew about Mr W, and the things he told you about his circumstances.

Before providing the loans Lending Stream gathered information on Mr W's income and expenditure and also checked his credit score. The loans that were provided to Mr W were repayable over six months and were for amounts ranging from £60 to £450.

The first loan Mr W took out was for £200. At the time he said his income was £1,200 and his expenses were £500. Lending Stream also carried out a credit check. It has reported the credit score it received. I have not seen the details of the credit check or a copy of a credit

report form that time. However I have seen a copy of Mr W's credit report from 2017 and this shows that he had two defaults recorded on his credit file in 2012.

As the first loan was taken out in March 2014, and Mr W's disposable income seemed to be sufficient to cover the repayments, I find that the check carried out before this loan was provided were reasonable.

Mr W took out a second loan in March 2014. This was for £280 with the highest repayment amount of around £150. Mr W's disposable income had not changed since the first loan and I think that the checks carried out at this time were reasonable.

Mr W continued to borrow from Lending Stream. The next two loans were taken out in May and June and were for lower loan amounts (£80 and £60 respectively). Given this I think that the checks carried out were sufficient.

However Mr W continued to borrow and by his fifth loan, I think this should have raised concerns. Mr W was borrowing most months and the fifth loan was for £500. Mr W was often taking out new loans before previous loans had been repaid. I think this should have raised concerns about Mr W's reliance on short term lending. Because of this I think that before the fifth loan was provided, Lending stream should have carried out a full review of Mr W's financial situation.

If Lending Stream had carried out a full review of Mr W's financial situation at the time of the fifth and subsequent loans it would have realised that Mr W was making frequent payments to online gambling sites. Mr W's gambling payments continued through the period from when the fifth loan was provided to when the twentieth loan was provided. Mr W was also making use of other short term lenders at this time.

So, while I accept that based on the information Mr W provided his disposable income appeared to be sufficient to meet his repayments, I think that his pattern of borrowing should have raised concerns,. Had a full review been carried out Lending Stream would have realised that Mr W was spending on gambling and did not have sufficient disposable income to make his repayments. He was taking out new loans before previous loans had been repaid.

Lending Stream has offered to refund the interest and charges on loan seven. However, as I think that further checks should have been carried out before loan five was provided and that had this happened Lending stream would have realised it was not sustainable to lend to Mr W, I find that it should refund the interest and charges on loan five through to loan twenty.

### **my final decision**

My final decision is that I partially uphold this complaint. Lending Stream LLC should:

- refund all interest and charges that Mr W paid on the loans five to 20;
- pay interest of 8% simple a year on all refunds from the date of payment to the date of settlement\*; and
- remove any negative information about loans five until twenty from Mr W's credit file.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 1 March 2018.

Jane Archer  
**ombudsman**