

The complaint

Miss K complains that Gain Credit LLC trading as Lending Stream (“Lending Stream”) allowed her to take out a loan she couldn’t afford, because she had other payday loans outstanding and a poor credit score.

What happened

Miss K was advanced one loan of £320 on 29 January 2015. Miss K was due to make six variable monthly payments with the largest one being £145.92. Miss K had some issues repaying the loan and it was eventually settled on 29 June 2017. This occurred after what appears to have been an offer Lending Stream made to Miss K.

Following Miss K’s complaint about the loan sale, Lending Stream wrote to her to explain why it wasn’t going to uphold it. Unhappy with this response, Miss K referred the complaint to the Financial Ombudsman.

The case was then considered by an adjudicator. The adjudicator didn’t think Miss K’s complaint should be upheld because in his view, Lending Stream carried out proportionate checks which showed it that Miss K would be able to afford the loan. There also wasn’t anything else that suggested Miss K couldn’t repay the loan in a sustainable manner.

Miss K didn’t agree with the adjudicator’s assessment and so the complaint was referred for a final decision.

What I’ve decided – and why

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

We’ve set out our general approach to complaints about this type of lending - including all the relevant rules, guidance and good industry practice - on our website.

Lending Stream had to assess the lending to check if Miss K could afford to pay back the amount she’d borrowed without undue difficulty. It needed to do this in a way which was proportionate to the circumstances of the application. Lending Stream’s checks could’ve taken into account a number of different things, such as how much was being lent, the size of the repayments, and Miss K’s income and expenditure.

With this in mind, I think in the early stages of a lending relationship, less thorough checks might have been proportionate. But certain factors might suggest Lending Stream should have done more to establish that any lending was sustainable for Miss K. These factors include:

- Miss K having a low income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- The amounts to be repaid being especially high (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);

- Miss K having a large number of loans and/or having these loans over a long period of time (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable);
- Miss K coming back for loans shortly after previous borrowing had been repaid (also suggestive of the borrowing becoming unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable for Miss K. The adjudicator didn't consider this applied in Miss K's complaint and I agree, as only one loan was granted.

Lending Stream was required to establish whether Miss K could *sustainably* repay the loan – not just whether she technically had enough money to make her repayments. Having enough money to make the repayments could of course be an indicator that Miss K was able to repay her loan sustainably. But it doesn't automatically follow that this is the case.

I've considered all the arguments, evidence and information provided in this context, and thought about what this means for Miss K's complaint.

As part of her application, Miss K declared a monthly income of £1,400. Lending Stream says it didn't feel it needed to make any adjustments to this income figure based on what it knew about Miss K.

Miss K also declared monthly outgoings of £425. This was broken down as £275 for "*normal expenses*" with £150 being attributed to credit commitments. Lending Stream says it looked at other information such as statistics that relate to the population and it considered how much people typically spend with their income. Having carried out this further check, Lending Stream didn't make any adjustments to the expenditure figures Miss K declared. Based on the income and expenditure details the loan looked affordable.

Before the loan was approved Lending Stream also carried out a credit search and it has provided the Financial Ombudsman with a summary spreadsheet of the results it received from the credit reference agency. I want to add that, although Lending Stream carried out a credit search, there isn't a regulatory requirement to do one, let alone one to a specific standard.

Lending Stream was also entitled to rely on the information it was given by the credit reference agency. So, I've looked at the results to see whether there was anything contained within it that would've either prompted Lending Stream to have carried out further checks or possibly have declined Miss K's application.

Having looked at the credit check results, in my view there wasn't anything that would've led Lending Stream to have carried out further checks. It knew Miss K had seven active accounts owing £2,100 and had accounted for them in its expenditure assessment.

Lending Stream could also see that Miss K hadn't defaulted on any accounts within the last three years or had any delinquent accounts either. Overall, there wasn't any signs, from the credit check to indicate Miss K was in financial difficulties, or to have prompted Lending Stream to carry out further checks.

Given it was early on in the lending relationship – and Miss K was only granted one loan, I think it was reasonable for Lending Stream to have relied on the information Miss K provided to it – which showed she had sufficient disposable income to afford the loan repayments. There also wasn't anything else to suggest that Miss K was having either current financial difficulties or to indicate the loan repayments would be unsustainable for her for some other reason.

Taking everything into account, I do not uphold Miss K's complaint.

My final decision

For the reasons I've explained above, I do not uphold Miss K's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K to accept or reject my decision before 22 November 2023.

Robert Walker
Ombudsman