

## The complaint

Mr A, through his representative, complains that Gain Credit LLC, trading as Lending Stream, lent to him when he could not afford them.

## What happened

Using information provided by Lending Stream here is a loan table giving some details of the loans approved plus some information provided by Mr A as part of his applications.

Loan	Borrowed Date	Borrowed Loan Amount*	Closed Date	Declared Monthly Income	Declared Monthly Expenditure	Disposable Income calculated
1	19- 11-2018	£480	28-12-2018	£1,200	£900	£300
2	24-12-2018	£300	05-01-2019	£1,320	£550	£770
3	11-01-2019	£300	27-01-2019	£1,320	£350	£970
4	27-01-2019	£400	25-02-2019	£1,400	£350	£1,050
Gap in the lending relationship						
5	18-07-2020	£300	26-07-2020	£1,500	£600	£900
6	24-07-2020	£150	28-08-2020	£2,000	£700	£1,300
7	26-07-2020	£250	24-12-2020	£2,000	£650	£1,350
8	04-09-2020	£150	24-09-2020	£1,400	£475	£925
9	08-09-2020	£150	02-10-2020	£1,500	£500	£1,000
Gap in lending relationship						
10	30-05-2021	£450	08-09-2021	£1,400	£575	£825

The loan repayments varied from £11.53 a month for loan 8 to £83.33 a month for loan 7. Loans 1 to 5 were for 24 months in length and loans 6, 7 and 9 were for six months. Loans 8 and 10 were for 24 months.

Mr A's representative has submitted on his behalf that Lending Stream failed to carry out the checks it ought to have done plus it said:

*'Our client contends that, as a result of this unaffordable lending, a financial situation (which was already poor) has been made worse.'*

It submitted documents in support, one of which was the Claim Audit Form which I will come back to in the main part of the decision.

After the complaint had been sent to Lending Stream it responded with its final response letter (FRL) on 13 December 2022. Lending Stream explained why it was treating loans 1 to 4 as a separate lending chain to loans 5 to 10. This was due to the sixteen months gap between paying off loan 4 and applying for loan 5. And I agree with this approach.

Lending Stream gave reasons why it considered that it had done all it should have done to comply with the irresponsible lending regulations.

However, for loans 8 to 10, Lending Stream upheld Mr A's complaint and said:

*'Although these loans were affordable, we have thought about the number of loans and the time between each loan being taken out. We can see that it might not have been a good idea for us to make these loans.'*

It also said that there had been a settlement sum paid out in the past for loan 8 and so the settlement offer in this FRL did not include that loan when calculating the refund. I have no details of this or any confirmation of this happening. But this offer included the step that Lending Stream would ask the credit reference agencies to remove loans 8 to 10 from the records.

On 30 December 2022 Mr A's representative referred the complaint to the Financial Ombudsman Service.

One of our adjudicators looked at the complaint and thought that the offer from Lending Stream to uphold loans 8 to 10 was fair and reasonable but did not think that it needed to do anything more to put things right for any other loans.

Mr A's representative forwarded Mr A's response which was that he disagreed and wanted an ombudsman to review the complaint. Mr A gave no additional reasons or sent any further evidence.

The unresolved complaint was passed to me to decide.

### **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 Mr A could afford to pay back the amounts he'd borrowed without undue difficulty. It needed to do this in a way which was proportionate to the circumstances. 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 Mr A's income and expenditure.

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 Mr A. These factors include:

- Mr A 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);
- Mr A 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);

- Mr A 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 Mr A.

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

Industry regulations say that payments are sustainable if they are made without undue difficulties and, made on time, while meeting other reasonable commitments and without having to borrow to make them. If a lender realises, or ought reasonably to have realised, that a borrower won't be able to make their repayments without borrowing further, then it follows that it should conclude those repayments are unsustainable.

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

I agree with Lending Stream and our adjudicator about the break in the lending chain. A sixteen month period would have been a clear indication to Lending Stream that Mr A had no need of its credit. I would have considered it reasonable for Lending Stream to have treated Mr A as a new customer – effectively – when he returned for loan 5. So, it would have been reasonable of it to rely on the information Mr A gave to it for first few loans in that second loan chain. And that is how I have approached the complaint.

Mr A's representative's submissions are ones which refer to the loans Mr A had as a high interest revolving credit accounts. This was incorrect as Mr A had ten instalment loans with Lending Stream. So, this was plainly wrong and I do not consider their submissions carry much weight.

The representative cited several extracts from earlier Financial Ombudsman decisions in support, and these related to revolving credit outcomes some of which were about a lender I recognise which offers credit facilities attached to current accounts. All these extracts are irrelevant not least because they related to the wrong sort of credit for this complaint.

Further, each complaint brought to the Financial Ombudsman Service are considered on their individual merits.

Mr A's representative relied on Mr A's 'Claim Audit Form' as the basis of the complaint. It said:

*'Based on the Claim Audit Form and the approach FOS has taken on previous similar complaints, we feel as though you should not have lent to Mr A. In doing so, you contributed to his debt spiral.'*

That Claim Audit Form which was completed by Mr A and signed as accurate and sent to Lending Stream and to us as part of his complaint demonstrates several things to me:

- Mr A cannot recall much about the application process other than it was on-line
- he did confirm he has paid them all off and used his wages to do so
- he was employed full time and earned £1,600 a month when he was borrowing from Lending Stream

- his monthly mortgage/rent was £600, he spent money on bills and food, and £100 a month on repayments to credit cards and other credit commitments,
- he stated that taking loans from Lending Stream was the only way to get credit and he knew the rates were high but he needed the loans
- his total outgoings were £1,200 and so his available funds before repaying any loans to Lending Stream were £400 each month.

On Mr A's own evidence he had enough to repay these loans. So, his complaint based on affordability is not persuasive. And the figures sent to us in the Audit Form differ from the figures in the applications made to Lending Stream, details of which appear in a table at the end of the FRL which both parties have and I do not duplicate here. The loan table I have added at the beginning of the decision does give some of the financial details provided to Lending Stream for the applications.

Considering there was a difference in the financial information then I have proceeded by recognising that both sets provided by Mr A – that given by Mr A for the loan applications and that given to us to support his complaint – show he had money left over each month. So, it does look as though Mr A was able to afford the loans.

Lending Stream verified Mr A's income and looked at its own searches to see Mr A's credit commitments. I've been given a summary of the results from Lending Stream's credit searches and it shows that there was nothing about which it needed to have any concern.

According to the summary of results then these showed that Mr A had no defaults or delinquencies, there was nothing to show Mr A was in any insolvency arrangement and so overall the combination of the declared income and expenditure, the loan values and the credit search results then Lending Stream considered Mr A was able to afford the loans.

I have considered the repayment history. For most of the loans Mr A repaid them early and that would have been factored into the creditworthiness assessment Lending Stream was required to do. And I say this because a good repayment history is a valid element when considering applications going forward..

Our adjudicator did think that at loan 4 Lending Stream ought to have carried out some additional checks. The reason was due to the proximity of the loan applications and I agree. Mr A was asking Lending Stream for a lot of credit in a short space of time.

One way to have done that may have been to ask Mr A for details of his expenditure using rental agreements and utility bills and other such documents. Another and often more convenient method – but not the only way – was to look at Mr A's bank statements.

Mr A's representative has sent to us the bank statements for Mr A covering January 2019 and I have reviewed them up to the date when loan 4 credited his account. Apart from paying off credit cards and paying some bills, spending money on travel and food, and repaying Lending Stream for the earlier loans I do not see that Mr A had any other loans he was paying off. The bank transactions do not indicate to me that Mr A was in any sort of financial difficulties. Mr A was using his overdraft but I have not been able to see any unauthorised overdraft charges and so he appeared to be keeping within his limit.

So those statements, if viewed by Lending Stream at the time, likely would not have led to it refusing loan 4.

In the second loan chain – from loan 5 - I have noted that Mr A took loans 5, 6 and 7 in quick succession and they overlapped to an extent but I also note that loans 6 and 7 were for smaller sums and for shorter loan periods. So, I do not consider that Lending Stream needed

to do more for these loans especially as the conclusions I have come to relating to affordability apply here too.

#### *Loans 8 to 10*

As Lending Stream has already agreed to uphold loans 8 to 10 then I have no need to review them.

I endorse the uphold for loans 8 to 10. But in relation to the other loans, I am not persuaded that Lending Stream was irresponsible when it approved loans 1 to 7 for Mr A.

As the outcome for loans 8 to 10 was given in the FRL issued by Lending Stream then I am concluding that this is a non-uphold of the complaint. But Lending Stream needs to do as it said it would in relation to loans 8 to 10.

#### **My final decision**

My final decision is that I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 1 September 2023.

Rachael Williams  
**Ombudsman**