

## The complaint

Miss C complains through a representative that Gain Credit LLC trading as Lending Stream ("Lending Stream") gave her loans without carrying out adequate affordability checks.

## What happened

Miss C was advanced two loans and a summary of her borrowing can be found below.

loan number	loan amount	agreement date	repayment date	number of monthly instalments	largest repayment per loan
1	£260.00	18/08/2021	07/02/2022	6	£75.15
2	£350.00	13/03/2022	12/04/2022	6	£113.14

Following Miss C's complaint, Lending Stream wrote to her representative to explain why it wasn't going to uphold the complaint. It said it didn't uphold the complaint because it had carried out proportionate affordability checks before the loans were given. Unhappy with this response, Miss C's representative referred the complaint to the Financial Ombudsman.

The case was then considered by an adjudicator. The adjudicator didn't think Miss C's complaint should be upheld because in her view, Lending Stream carried out checks which showed it that Miss C would be able to afford the loans.

Miss C's representative didn't agree with the adjudicator's assessment and instead asked for an ombudsman to review the complaint and so the complaint has been 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 Miss C could afford to pay back the amounts 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 C'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 C. These factors include:

- Miss C 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 C 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 C 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 C. The adjudicator didn't consider this applied in Miss C's complaint and I agree, as only two loans were granted in a relatively short space of time.

Lending Stream was required to establish whether Miss C could *sustainably* repay the loans – 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 C was able to repay her loans 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 C's complaint.

As part of her applications, Miss C declared a monthly income of £2,000 for loan one and £1,890 for loan two. Lending Stream says it didn't feel it needed to make any adjustments to this income figure based on what it knew about Miss C.

For loan one, Miss C also declared monthly outgoings of £375. This was all declared as "*normal expenses*" with £0 being attributed to credit commitments. However, Lending Stream says that as a result of independent checks, it increased its estimation of Miss C's living costs by a further £368.60 and it also added an extra £661 for credit commitments per month. So, for loan one, it believed Miss C's monthly outgoings amounted to £1,404.60. This left £594.40 per month in disposable income to be able to afford the loan repayment of £75.15.

Lending Stream did the same sort of checks for loan two. On top of the £450 Miss C declared for her outgoings, it added an extra £800 to cover credit commitments and to adjust for Miss C's living costs.

Lending Stream believed, based on the information Miss C provided she had around £640 per month in disposable income to afford her largest repayment. Therefore, it would've been reasonable for Lending Stream to believe both loans were affordable for Miss C.

Before the loans were 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 C's applications.

Having looked at the credit results, in my view there wasn't anything that would've led Lending Stream to have carried out further checks. It knew Miss C had at least 13 active

accounts and had accounted for them in its expenditure adjustments for Miss C. It could also see that Miss C hadn't defaulted on any accounts within the last three years. Overall, there wasn't any signs, from the credit check to indicate Miss C was in financial difficulties or to have prompted Lending Stream to carry out further checks.

There also wasn't anything else, such as the way Miss C repaid her first loan that would've led Lending Stream to believe that it needed to do further checks or to have declined the applications for loan two.

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

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

### **My final decision**

For the reasons I've explained above, I'm not upholding Miss C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 31 October 2023.

Robert Walker  
**Ombudsman**