

The complaint

Mr G complains that Gain Credit LLC trading as Lending Stream (“Lending Stream”) provided him with a loan which wasn’t affordable because he had a low income and lots of other, outstanding credit.

What happened

Mr G was advanced one loan on 19 February 2020 for £400. Mr G was due to make five instalments of £144.72 with a final instalment due of £76.40. Mr G did have some problems meeting his repayments while the loan was active, but he settled it on 8 August 2020 – which was earlier than contracted for.

Lending Stream considered the complaint and concluded it had made a reasonable decision to provide the loan because it was affordable based on the income and expenditure information provided. Unhappy with this response, Mr G referred his complaint to the Financial Ombudsman.

The complaint was then considered by an adjudicator, who didn’t uphold it. She said Lending Stream had reasonable grounds to believe Mr G could afford the loan and that it had carried out proportionate checks.

Mr G didn’t agree and asked for a final decision, he also provided a copy of his full credit file from one of the credit reference agencies.

Lending Stream didn’t have any further comments.

As no agreement has been reached, the case has been passed to an ombudsman 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 Mr G could afford to pay back the amount 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 have taken into account a number of different things, such as how much was being lent, the size of the repayments, and Mr G’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 Mr G. These factors include:

- Mr G 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 G 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 G 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 G. The adjudicator didn't consider this applied in Mr G's complaint and I agree.

Lending Stream was required to establish whether Mr G could *sustainably* repay the loan – 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 G was able to repay his loan 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 G's complaint.

Before the loan was approved, Lending Stream asked Mr G for details of his income, which he declared as being £1,250 per month. Mr G also declared he worked full time and had worked at the same company for the last year. As this was the first loan, it was reasonable for Lending Stream to have relied on the information Mr G had provided.

Mr G also declared monthly outgoings of £760. Lending Stream says these figures were broken down as £740 for regular expenditure and £20 for credit commitments. Lending Stream has shown that as part of the affordability assessment it considered whether it needed to make any adjustments to Mr G's declared expenditure figures – and it decided that it didn't need to in this case.

After carrying out these checks, Mr G's disposable income was £490 per month with which to afford the largest monthly loan repayments of around £145. The loan would've looked affordable.

Before the loan was advanced Lending Stream likely would've carried out a credit search with one of the credit reference agencies. This typically asked about Mr G's outstanding balances and when if any accounts entered default or delinquency. As part of Lending Stream's submission to the Financial Ombudsman, the details of each of these sections has been marked as "NA" which indicates there is no meaningful information.

This could mean one of two things. Either a credit search wasn't carried out – and given this was a first loan for a modest sum, I don't think that would've been unreasonable. Especially when there wasn't a requirement for a credit search to be carried out. So if no credit search

was conducted that alone wouldn't have been enough to say that a proportionate check wasn't carried out.

However, it is of course also possible, that a credit search was carried out but for whatever reason the results are no longer available to be shared. Mr G has provided a copy of his full credit report from June 2023, so I've considered this report in light of the sections that Lending Stream typically asked for information on in order to see whether if a credit search was conducted whether it may have impacted Lending Stream's decision to lend.

But it is worth mention that Mr G's credit report is from a different credit reference agency than the one that Lending Stream would've used at the time, before granting the loan.

Mr G's credit report does have accounts which have either been defaulted or have delinquency markers applied to them, but these were all after the loan was approved. So even if Lending Stream did do a credit search, these wouldn't have been visible.

From the credit report, Mr G would've likely had around 6 active accounts including 2 bank accounts, a utility account, two credit cards and a revolving credit facility. But all of these had been – up to the point the loan was approved managed well as there were no adverse payment markers.

It isn't clear whether a credit search was conducted by Lending Stream, but even if one was carried out – based on the information I've been able to find, I don't think it would've been alerted to any signs that Mr G was having financial difficulties or that the loan was unaffordable for him. Nor would I say that Lending Stream had made an error by not carrying out a credit search because there was no requirement for it to do so.

As this was Mr G's first loan, for a modest sum, I think it was reasonable for Lending Stream to have relied on the information Mr G gave about his income and expenditure which showed he had sufficient disposable income to afford the repayments he was committed to making. There also wasn't anything else to suggest that Mr G was having financial difficulties or that the loan would be unsustainable for him.

I'm therefore not upholding Mr G's complaint.

My final decision

So, for the reasons I've explained above, I'm not upholding Mr G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 14 September 2023.

Robert Walker
Ombudsman