

Complaint

Mr D is unhappy Gain Credit LLC (trading as “Lending Stream”.co.uk) provided him with a high-cost short-term credit instalment loan. He says he should never have been given this loan as a check of his credit file would have shown debts, missed payments and that he already owed other creditors.

Background

This complaint centres around the provision of a high-cost short-term credit instalment loan for £880, which Lending Stream provided to Mr D in October 2015. The loan was to be paid in six monthly instalments.

One of our adjudicators looked at Mr D’s complaint and she didn’t think that Lending Stream had done anything wrong or treated him unfairly. So she didn’t recommend the complaint be upheld.

Mr D disagreed and asked for an ombudsman to look at his case.

My findings

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 short-term lending - including the key relevant rules, guidance and good industry practice - on our website. I’ve referred to this when considering Mr D’s case.

Having carefully considered everything, I’m not upholding Mr D’s complaint. I’d like to explain the reasons for my decision in a bit more detail.

Lending Stream needed to make sure that it didn’t lend irresponsibly. In practice, what this means is Lending Stream needed to carry out proportionate checks to be able to understand whether Mr D could afford to make the repayments he was committing to before providing this loan.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

Lending Stream provided Mr D with a single loan which was due to be repaid in six monthly instalments. From what I’ve seen, Lending Stream asked Mr D to confirm his monthly

income and expenditure. The information recorded suggests the loan repayments were comfortably affordable.

Mr D says the information Lending Stream based its decision on didn't accurately reflect his actual financial position. He says he was significantly indebted but has only been able to provide information from 2017 which was two years after this loan was taken out. And while Lending Stream's records from the time do indicate that Mr D had a couple of defaulted accounts the amount he owed didn't appear to be excessive.

Furthermore, I have to think about what Mr D has said in the context of this being an application for first loan. While Mr D says he entered his gross salary rather than his net salary by mistake and might have made an error in his expenditure declaration, in these circumstances, I don't think that it would have been proportionate for Lending Stream to have carried out the degree of verification Mr D has suggested.

In my view, there wasn't anything immediately obvious in the information that Lending Stream had, including Mr D's existing indebtedness bearing in mind his declared income, which meant it should've asked Mr D to prove supporting evidence, such as payslips or bank statements, before providing a first loan for this amount.

So, while I'm sorry to hear that Mr D has had difficulty repaying this loan, I think that Lending Stream was reasonably entitled to rely on the information it had been provided with and therefore its decision to lend wasn't unreasonable.

As this is the case, I don't think that Lending Stream did anything wrong when deciding to lend to Mr D - it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable. And I'm therefore not upholding Mr D's complaint. I appreciate this will be very disappointing for Mr D. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mr D's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 18 December 2023.

Jeshen Narayanan
Ombudsman