

The complaint

Mr B complains through a representative that Gain Credit LLC trading as Lending Stream (“Lending Stream”) gave him loans without carrying out the correct affordability checks.

What happened

A summary of Mr B’s borrowing can be found in the table below.

loan number	loan amount	agreement date	repayment date	Largest monthly repayment per loan
1	£250.00	30/05/2018	27/06/2018	£82.38
2	£650.00	02/07/2018	10/07/2018	£210.48
3	£300.00	15/07/2018	27/07/2018	£107.07
4	£1,000.00	27/07/2018	Sold	£331.11

Each of these loans was due to be repaid with six monthly instalments.

Mr B had some difficulties repaying his final loan and Lending Stream has said the balance has been sold to a third-party debt purchaser.

Following Mr B’s complaint, Lending Stream wrote to him to explain why it wasn’t going to uphold it. Unhappy with this response, Mr B’s representative referred the complaint to the Financial Ombudsman.

The case was then considered by an investigator, and he didn’t uphold it because in his view, Lending Stream had carried out proportionate checks which demonstrated Mr B could afford the loan repayments.

Mr B’s representative didn’t agree with the investigator’s assessment and it provided copy bank statements from the time when these loans were advanced. No agreement could be reached, so the complaint has been passed to me for a 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. And I’ve used that to help me decide this complaint.

Lending Stream had to assess the lending to check if Mr B 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 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 Mr B’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 B. These factors include:

- Mr B 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 B 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 B 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 B. The investigator didn't consider this applied in Mr B's complaint and I would agree, given the number of loans and the sums lent.

Lending Stream was required to establish whether Mr B 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 B was able to repay his loans sustainably. But it doesn't automatically follow that this was the case.

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

As part of his application for these loans, Mr B declared a monthly income of £2,800 for loans 1 – 3 and £2,700 per month for loan 4. Lending Stream says it didn't feel it needed to make any adjustments to this income figure based on what it knew about Mr B and for these loans I think that was a reasonable position to have taken.

Mr B also declared monthly total outgoings of £1,805 for loan 1 and £1,400 for loan 2 and then £1,375 for both loans 3 and 4. For each of these loans the total monthly outgoings were broken down into two categories "*normal expenses*" and "*credit specific expenses*". So, for example, for loan 1 Mr B declared £930 as his "normal" living costs as well as £875 for his monthly credit commitments.

Lending Stream also said it looks at other information such as statistics that relate to the general population and it considered how much people typically spend with their income. Having carried out this further check, Lending Stream added an additional £83 per month to Mr B's declared expenditure for loans 1 and 3 only. But even with this increased figure, these loans still looked affordable.

Before each 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 Mr B's application.

Having looked at the credit check results, in my view there wasn't anything that would've prompted Lending Stream to have carried out further checks before either loan was advanced.

Lending Stream knew for these loans that Mr B didn't have more than £16,000 of outstanding credit commitments spread across no more than eight accounts. However, Lending Stream wasn't told what sort of accounts these were, they could've been credit cards, store cards, loans or hire purchase agreements i.e. products that can be repaid over a longer period of time.

For these loans, Lending Stream was also told that Mr B had two defaults. But the most recent one had been recorded around a year before the first loan was approved. This has led me to conclude that around a year before these loans, Mr B had some difficulties to the extent that a credit account defaulted. But those defaults wouldn't have been enough to have prompted further checks, because they were too far removed from the loan start dates.

Overall, given the credit check results, I think it was just about reasonable for it to conclude that Mr B wasn't in financial difficulties, or to have prompted it to carry out further checks at the time of these loans being approved.

I appreciate that Mr B's representative has provided copy bank statements from the time when these loans were approved. But given the number of loans and what Lending Stream knew about Mr B at this point in the lending relationship, it would've been disproportionate of it to have reviewed his bank statements.

Given it was early on in the lending relationship, I think it was reasonable for Lending Stream to have relied on the information Mr B provided to it – which showed he had sufficient disposable income to afford the repayments. There also wasn't anything else to suggest that Mr B was likely having either current financial difficulties or to indicate the loan repayments would be unsustainable for him.

Taking everything into account, I do not uphold Mr B's complaint about these loans.

My final decision

For the reasons outlined above I am not upholding Mr B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 6 March 2024.

Robert Walker
Ombudsman