

The complaint

Mrs M complains that Gain Credit LLC trading as Lending Stream (“Lending Stream”) failed to conduct proportionate affordability checks before it lent to her.

What happened

A summary of Mrs M’s borrowing can be found in the table below.

loan number	loan amount	agreement date	repayment date	number of monthly instalments	largest repayment per loan
1	£400.00	19/11/2021	17/05/2022	6	£131.92
2	£420.00	04/05/2022	sold	6	£152.85

Although loans 1 and 2 overlapped, the final repayment due for loan 1 was before the first repayment was due for loan 2. Mrs M’s final loan has also been sold to a third-party collection agency.

Following Mrs M’s complaint, Lending Stream said why it wasn’t going to uphold it explaining the checks it carried out showed Mrs M could afford these loan repayments. Unhappy with this response, Mrs M referred the complaint to the Financial Ombudsman.

The case was then considered by an investigator who didn’t uphold it. He said that the information Lending Stream gathered showed the loans to be affordable and there wasn’t any indication the loans would be unsustainable for her.

Mrs M didn’t agree, saying at no point did Lending Stream ask for evidence of her earnings or her outgoings.

As no agreement could be reached, the complaint has then been passed to 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.

I want to start by saying how sorry I am to hear about the bereavement in Mrs M’s family.

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 Mrs M 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 Mrs M’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 Mrs M. These factors include:

- Mrs M 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);
- Mrs M 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);
- Mrs M 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 Mrs M. The investigator didn't consider this applied in Mrs M's complaint because only two loans were granted, and I agree with this.

Lending Stream was required to establish whether Mrs M 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 Mrs M 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 Mrs M's complaint.

Mrs M declared a monthly income of £1,287 for loan 1 and £1,435 for loan 2. Lending Stream says it didn't feel it needed to make any adjustments to this income figure based on what it knew about Mrs M.

Mrs M says that Lending Stream ought to have verified her income, but Lending Stream could only base its decision to lend on the information it received and gathered. For these loans, I think it was entirely proportionate for it to use the income figure provided by Mrs M without the need to verify it.

Mrs M also declared total monthly outgoings of £565 for loan 1 and £475 for loan 2. For each loan this figure was broken down into "*normal expenses*" and "*credit specific expenses*". For example, for loan one Mrs M's expenditure is shown as £285 of normal expenses and £280 of existing credit commitments.

Lending Stream says it looked at other information such as statistics that relate to the general population and it considered how much people typically spend related to their income. Having carried out this further check, for loan 1 only it increased her normal living expenses by £25. But even with these slightly larger living costs, Mrs M still had sufficient disposable income to afford her loans.

As Mrs M was only advanced two loans, I think it was also reasonable for Lending Stream to have relied on what it was told without the need to have checked her outgoings beyond the credit check.

Before each loan was approved, Lending Stream 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 them that would've either prompted Lending Stream to have carried out further checks or possibly have declined Mrs M'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 Mrs M had no more than eight active accounts (when loan 2 was granted) but Lending Stream didn't know how new these accounts were or what sort of accounts they were for example credit cards, store cards or other payday / instalment loans.

Lending Stream was also told that there hadn't been any accounts recently entering default, and it had been 22 months since the most recent of Mrs M's accounts had entered delinquency. I do think was too long ago for Lending Stream to have concluded Mrs M was likely having current difficulties at the time of the loan applications.

Overall, given the value of the loans and what information Mrs M provided, I do think Lending Stream firstly carried out proportionate checks and secondly, wasn't given any indication that Mrs M was or was likely having financial difficulties. In those circumstances I think it was entirely fair and reasonable for Lending Stream to have advanced these loans.

Taking everything into account, I do not uphold Mrs M's complaint.

My final decision

For the reasons I've outlined above, I do not uphold Mrs M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 10 April 2024.

Robert Walker
Ombudsman