DRN-1829933

The complaint

Mrs F says Stagemount Limited, trading as Quid Market ("Quid Market"), irresponsibly lent to her. Mrs F says she had a poor credit record and a gambling addiction. She says Quid Market should have carried out more checks before it lent to her.

What happened

This complaint is about three instalment loans Quid Market provided to Mrs F between February 2018 and March 2019. Mrs F's borrowing history is as follows:

Loan	Date Taken	Date Repaid	Instalments	Amount	Repayment
1	09/02/2018	27/07/2018	6	£400.00	£122.21
2	22/08/2018	28/02/2019	6	£400.00	£133.32
3	01/03/2019	Outstanding*	6	£1,000.00	£319.26

*Mrs F has told us that since bringing her complaint to this service she has fully repaid loan three.

Our adjudicator initially didn't uphold Mrs F's complaint but after Mrs F provided further information about her financial circumstances our adjudicator thought that loan three shouldn't have been given. This was because if Quid Market had carried out proportionate checks it would have seen that Mrs F spent a lot of her income on gambling on-line and wouldn't be able to sustainably make the loan repayments.

Quid Market didn't agree with the adjudicator. It said Mrs F hadn't shown any financial difficulty when repaying the earlier loans so there was nothing to suggest it should have carried out further checks before agreeing to loan three. It had also asked Mrs F, as part of the application process, if she gambled, and she replied that she did not.

Quid Market's response didn't change the adjudicator's opinion, so it asked for an ombudsman's decision. The case 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 short-term lending - including all of the relevant rules, guidance and good industry practice - on our website.

Quid Market needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mrs F could repay the loans in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and the consumer's income and expenditure. With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate.

But certain factors might point to the fact that Quid Market should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These factors include:

- the *lower* a consumer's 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 *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);

- the *greater* the number and frequency of loans, and the longer the period of time during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

I think that it is important for me to start by saying that Quid Market was required to establish whether Mrs F could sustainably repay her loans – not just whether the loan payments were affordable on a strict pounds and pence calculation.

Of course, the loan payments being affordable on this basis might be an indication a consumer could sustainably make their repayments. But it doesn't automatically follow this is the case. This is because the relevant regulations define sustainable as being without undue difficulties and in particular the customer should be able to make repayments on time, while meeting other reasonable commitments; as well as without having to borrow to meet the repayments. And it follows that a lender should realise, or it ought fairly and reasonably to realise, that a borrower won't be able to make their repayments sustainably if they're unlikely to be able to make their repayments without borrowing further.

Mrs F didn't comment on the adjudicator's opinion that loans one and two shouldn't be upheld. Because of this, I don't think there is any ongoing disagreement about these loans. So, I won't be making a decision about this lending. But the loans were part of the borrowing relationship Mrs F had with Quid Market. So, it is something I will take into account when considering the other loans she took.

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mrs F's complaint. After doing so, I've decided to uphold the complaint in part. I'll explain why.

When Mrs F returned for further borrowing at loan three, she had repaid loan two the day before but was now looking to borrow more than double the amount of her two previous loans. And she had now been borrowing from Quid Market for over a year, so I don't think this borrowing was still in the early stages of her relationship with Quid Market.

I think that these factors should have caused Quid Market to look to build a bigger picture of Mrs F's financial circumstances to verify what it knew about her and the information she had given.

It could have asked Mrs F for additional evidence of her income and outgoings which it could have gathered from her bank statements, pay slips or copies of any bill as examples. And I think if it had done so, it would have seen Mrs F was spending a significant amount of her income on on-line gambling websites.

Quid Market has told us it had asked Mrs F if she was involved in gambling, and she responded that she wasn't. But I note from her complaint form that Mrs F says she was ashamed and embarrassed by her addiction and that she hid it for many years. So, I don't find it surprising that what she told Quid Market wasn't a true reflection of her actual financial circumstances.

But as I've said above, because of the length of the borrowing relationship at loan three, the fact that loan two was repaid the day before and loan three was for a much larger amount than previously borrowed, I think Quid Market should have carried out more checks which were proportionate to the borrowing. If it had carried out those checks then I think it should have led Quid Market to the conclusion that the loan repayments were most likely to be unsustainable for Mrs F. So, I don't think it should have given loan three to Mrs F.

So, like the adjudicator, I'm upholding the complaint about loan three and Quid Market should put things right.

Putting things right – what Quid Market needs to do

- refund all interest and charges Mrs F paid on loan three;
- pay interest of 8% simple a year on any refunded interest and charges from the date they were paid (if they were) to the date of settlement†;
- remove any negative information about loan three from Mrs F's credit file;

† HM Revenue & Customs requires Quid Market to take off tax from this interest. Quid Market must give Mrs F a certificate showing how much tax it's taken off if she asks for one.

Mrs F has told us loan three has been repaid in full but if it remains outstanding then Quid Market can refer back to me if it needs guidance on how to calculate redress under those circumstances.

My final decision

For the reasons given above, I'm partially upholding Mrs F's complaint. Stagemount Limited should put things right as set out above.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mrs F to accept or reject my decision before 17 August 2020.

Catherine Langley
Ombudsman