

The complaint

Mr B complains that Stagemount Limited trading as 'Quid Market' acted irresponsibly when lending to him.

What happened

In October and November 2019 Quid Market provided Mr B with loans, each due to be repaid by instalments over a number of months. In the event, Mr B paid both these loans early.

Here's a table with more details:

| Loan | Date Taken | Date Repaid | Instalments | Amount | Highest Repayment |
|------|------------|-------------|-------------|---------|-------------------|
| 1 | 03/10/2018 | 12/10/2018 | 6 | £400.00 | |
| 2 | 13/11/2018 | 21/06/2019 | 5 | £400.00 | |
| 3 | 10/10/2019 | 05/11/2019 | 5 | £300.00 | £103.09 |
| 4 | 18/11/2019 | 19/12/2019 | 6 | £300.00 | £99.99 |

This complaint is just about loans 3 and 4 shown in the table above – but I've included some information about earlier loans which Mr B took out with Quid Market because his lending history is relevant to the way I've thought about his complaint about loans 3 and 4.

Mr B feels that Quid Market shouldn't have provided him with loans 3 and 4 as they added to his money problems. Mr B told us that if Quid Market had done proper checks it would've seen that he was using his money for gambling purposes.

Our adjudicator upheld Mr B's complaint. Mr B had previously complained to Quid Market about irresponsible lending in relation to loans 1 and 2. Quid Market was also aware that it had taken Mr B three months longer than originally agreed to make all the repayments on the second loan he'd taken with Quid Market.

So our adjudicator felt that when Mr B applied for loan 3 in October 2019 Quid Market should've been aware from previous discussions with Mr B (about the problems he faced making the repayments on loan 2) that Mr B was experiencing financial difficulties and possible mental health issues related to his money problems.

Our adjudicator thought for these reasons alone, Quid Market shouldn't have provided further loans to Mr B – but as a minimum, it should've obtained a full picture of his finances before agreeing to lend.

And our adjudicator said that proportionate checks would most likely have shown Mr B was frequently spending on betting transactions an amount in excess of the disposable income

he had available. So it wouldn't have been clear how he would cover his normal living expenses and Quid Market should've realised he wasn't able to repay loan 3 in a sustainable way.

So our adjudicator said Quid Market shouldn't have provided the loan (or any further lending) and he gave detailed directions setting out what he thought Quid Market should do to put things right for Mr B.

Mr B is happy to accept the adjudicator's recommendation.

Quid Market disagreed. It mainly said that Mr B's earlier complaint about irresponsible lending hadn't been upheld and Mr B had then asked Quid Market for further loans. It pointed out that there was a four months gap between Mr B paying loan 2 and him applying to Quid Market for loan 3 in October 2019 – and it told us the checks Quid Market did showed a reduction in the amount of Mr B's overall indebtedness. Quid Market also said that due to Mr B's struggles repaying loan 2, Quid Market asked him for further information and Mr B sent a bank statement – which showed no clear evidence of financial difficulty or suggest he was gambling.

Quid Market has asked for a review so the complaint comes 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've carried out proportionate checks to make sure Mr B 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 customer'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.

Quid Market was required to establish whether Mr B could sustainably repay his 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.

Taking all this into account, I've carefully considered all of the arguments, evidence and information provided and thought about what this all means for Mr B's complaint.

Quid Market has told us about the checks it did before lending to Mr B. It asked him to provide details of his income and to tell Quid Market what he normally spent each month. And Quid Market also carried out checks on Mr B's credit file.

Like our adjudicator, I don't agree it was reasonable for Quid Market to provide these loans to Mr B. Here's why I say this.

Although loan 3 might've looked affordable on the figures Mr B gave, Quid Market was already aware (as a result of its previous lending relationship with Mr B) that he had quite recently experienced money problems. I don't think the gap between him paying loan 2 and applying for loan 3 was long enough for Quid Market reasonably to assume that Mr B had put his finances in order – at least without taking steps to check the position.

I think that Quid Market should've carried out more thorough checks into Mr B's financial situation before agreeing to lend.

I think Quid Market should have taken further steps to verify what Mr B was saying about his financial circumstances and not just rely on what he said. Quid Market hasn't shown me it did this. So I can't fairly say that it carried out a proportionate check before agreeing to lend to Mr B.

Mr B has provided his bank statements so I've looked through these to see what Quid Market was likely to have found out as I think these give a reasonable picture of Mr B's finances at the time. And had Quid Market looked in more depth at Mr B's finances it would likely have seen that he was facing serious problems managing his money. I think it would have learned that Mr B was regularly spending significant amounts on what appear to be gambling transactions.

I've taken into account everything Quid Market has said in response to our adjudicator's opinion, but this doesn't affect what I think about this complaint. In particular, I don't think that the very limited information Quid Market saw when Mr B sent in an extract from his bank statement showing one day's worth of transactions was sufficient to amount to a proportionate check in these circumstances. And for the reasons I've explained, I think that if Quid Market had done proportionate checks before lending, it would've likely seen information that should've led Quid Market to decline Mr B's loan application in October 2019.

This means I don't think it was reasonable for Quid Market to think that it was likely Mr B would be able sustainably to repay his borrowing – so it shouldn't have provided loan 3 or any further lending to Mr B.

Putting things right

what Quid Market needs to do

- A. Add together the total of the repayments made by Mr B towards interest, fees and charges on loans 3 and 4, not including anything it has already refunded.
- B. Calculate 8% simple interest* on the individual payments made by Mr B which were considered as part of "A", calculated from the date Mr B originally made the payments, to the date the complaint is settled.
- C. Pay Mr B the amounts calculated in "A" and "B".
- D. Remove any adverse information Quid Market recorded on Mr B's credit file for loans 3 and 4.

*HM Revenue & Customs requires Quid Market to take off tax from this interest. Quid Market must give Mr B a certificate showing how much tax it's taken off if he asks for one.

My final decision

For the reasons given above, I'm upholding Mr B's complaint. Stagemount Limited trading as Quid Market should take the steps I've set out to put things right.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 23 August 2020.

Susan Webb
Ombudsman