

The complaint

Mr B complains that Stagemount Limited trading as Quidmarket (Quidmarket) gave him loans he couldn't afford to repay.

What happened

Mr B took three loans from Quidmarket between April and November 2021. I've outlined a summary of his borrowing below.

loan number	loan amount	agreement date	repayment date	term (months)	monthly repayment
1	£600.00	04/04/2021	30/04/2021	6	£191.13
2	£750.00	04/06/2021	15/10/2021	5	£356.71
3	£400.00	23/11/2021	28/02/2021	3	£212.38

Following Mr B's complaint, Quidmarket issued its final response letter. In summary, it said it had carried out proportionate checks which included asking Mr B about his income and expenditure as well as carrying out a credit search before each loan was approved. Based on these checks, Quidmarket was confident Mr B would be able to afford his monthly repayment. Although, Quidmarket didn't uphold the complaint, as a gesture of goodwill it offered to remove these loans from Mr B's credit file.

Mr B didn't agree and instead referred the complaint to the Financial Ombudsman. The complaint was considered by an adjudicator. She concluded Quidmarket had made a reasonable decision to lend loans 1 and 2 and so didn't uphold them.

However, by loan 3, the adjudicator was satisfied the credit check results showed some concerning information such as Mr B fully utilising his overdrafts and he was in an arrangement to pay. The adjudicator thought, this along with evidence of other loans was enough to show that Mr B was having problems repaying his other creditors.

Mr B appears to have accepted the adjudicator's findings.

Quidmarket responded and didn't agree, and I've summarised its response below.

- Evidence of Mr B's income was taken when loan three was granted.
- The third loan was his smallest one.
- Mr B was within the agreed overdraft limit of both accounts and hadn't exceeded the limit at any point within the last two years.
- There was only one new loan taken by Mr B visible on his credit file, for £3,000 on 14 October 2021.
- Overall, Mr B's indebtedness had decreased between loans 2 and 3.
- There were no obvious repayment problems and Mr B had sufficient disposable income to afford the loan.

As no agreement has been reached, the case was passed to me for a decision.

I issued a first provisional decision explaining why I thought, given the credit checks results for loan 3, Quidmarket needed to have carried out further checks before granting the loan. I explained that while I had some bank statements from Mr B covering the period of time when loan 3 was approved, there wasn't enough in them to be able to conclude that had Quidmarket carried out better checks it would've decided not to lend. So, I proposed not to uphold Mr B's complaint.

In response to the first provisional decision, Quidmarket emailed the Financial Ombudsman confirming it accepted the findings as outlined.

Mr B didn't agree with the findings, and he said the bank statements showed he had multiple other loans. Mr B provided further bank statements, and I've reviewed these and all the other evidence I previously had and decided that a second provisional decision was needed to reach a fair outcome.

I then issued a second provisional decision where I explained the findings for loans 1 and 2 remained the same. But I was then intending to uphold the complaint about loan 3 only. The findings from the second provisional decision can be found below in a smaller font following this section and forms part of this final decision.

What I said in my second provisional decision

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 the relevant rules, guidance and good industry practice - on our website.

Quidmarket had to assess the lending to check if Mr B could afford to pay back the amount he'd borrowed without undue difficulty. It needed to do this in a way which was proportionate to the circumstances. Quidmarket's checks could have 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 Quidmarket 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.

Quidmarket 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 loan sustainably. But it doesn't automatically follow that this is the case.

Industry regulations say that payments are sustainable if they are made without undue

difficulties and in particular, made on time, while meeting other reasonable commitments and without having to borrow to make them. If a lender realises, or ought reasonably to have realised, that a borrower won't be able to make their repayments without borrowing further, then it follows that it should conclude those repayments are unsustainable.

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

Loan 1

Quidmarket has shown, that as part of the affordability assessment it asked Mr B for details of his income and expenditure. Mr B's income has been recorded as being £3,349 per month. Mr B also declared his monthly outgoings were £630. However, following further checks (including a credit search which I comment on below) Quidmarket increased his living costs by a further £440.

This left Mr B with disposable monthly income of £2,509. This was more than sufficient for Quidmarket to believe Mr B could afford the largest repayment of around £192. The loan therefore, looked affordable.

Quidmarket also was given a screen shot of Mr B's bank statement which confirmed his monthly income. As Mr B had provided a screen shot of the bank statements, I've also considered whether there was anything else in that statement which ought to have concerned Quidmarket. However, I can't see anything, except for, that even after Mr B received his salary, he was still overdrawn.

Before this loan was approved Quidmarket also carried out a credit search and it has provided the Financial Ombudsman Service with a copy of the results it received. I want to add that although Quidmarket carried out a credit search there isn't a regulatory requirement to do one, let alone one to a specific standard.

Therefore, it's possible that the information Quidmarket received may not entirely reflect the information Mr B may be able to see in his own credit report. There could be for a number of reasons for this, such as Quidmarket only asking for certain pieces of information. But what Quidmarket can't do, is carry out a credit search and then not react to the information it received – if necessary.

Quidmarket was also entitled to rely on the information it was given by the credit reference agency. So, I've taken a look at the results to see whether there was anything contained within it that would've either prompted Quidmarket to have carried out further checks or possibly have declined Mr B's application.

Having reviewed these results, I can see Mr B had 5 active credit accounts with outstanding balances of £4,078. However, Quidmarket was aware that there hadn't been any adverse credit file data, such as a default or other insolvency recorded in the credit search results. There is also no evidence that Mr B was regularly using high-cost credit, for example, Mr B hadn't opened any new credit facilities within the last six months.

There was also nothing else in the information that I've seen that would've led Quidmarket to believe that it needed to go further with its checks – such as verifying the information Mr B had provided through his bank statements.

Given it was early in the lending relationship, I think it was reasonable for Quidmarket to have relied on the information Mr B provided along with the income and expenditure figures to show he had sufficient disposable income to afford the repayments he was committed to making. So, I'm not upholding Mr B's complaint about the loan.

Loan 2

Mr B repaid loan 1 much quicker than Quidmarket had anticipated, and he returned just over

a month later for a slightly larger loan to be repaid over a longer period compared to loan 1.

Quidmarket carried out the same sort of checks for this loan as it had done before loan 1 was granted. After considering the income and expenditure information provided, and after making adjustments from what Quidmarket's credit report. Quidmarket calculated Mr B had £1,870 a month in disposable income. Again, this was more than enough to cover the instalment amount of around £357.

A credit check was also carried out by Quidmarket, and a copy of the full report has been provided and which I've considered it. Quidmarket knew Mr B had opened new credit accounts since its last credit search, but one of those new accounts would've been loan 1.

Mr B's total indebtedness had increased, significantly to £9,767. This seems to have been as a result of Mr B opening two new loan accounts (separate to the Quidmarket loan) in April 2021, with combined monthly payments of around £320. This isn't an insignificant sum but given the way the previous loan had been repaid and what was visible on the credit file, I think it was reasonable for Quidmarket to have approved this loan.

So, even taking account of the existing credit commitments, I think the checks Quidmarket did were proportionate, and it showed Mr B could afford the repayments. I again, don't think Quidmarket's checks needed to extend to it reviewing Mr B's bank statements.

So, for the same reasons as loan 1, I'm not upholding Mr B's complaint about this loan.

Loan 3

Yet again, Mr B settled loan 2 slightly earlier than planned. Then around a month later Mr B returned for his smallest loan, to be repaid over the shortest period of time.

The adjudicator upheld this loan because in her view, the repayment arrangement on the overdraft accounts and new loans ought to have alerted Quidmarket to the fact that Mr B would have problems repaying this loan. I've thought about this and while I agree there were signs of distress, I don't think that automatically meant the loan was unaffordable for Mr B.

Once again, following the checks Quidmarket did before this loan (which were the same as before loans 1 and 2) it believed that Mr B had around £1,865 a month in disposable income. Like loan 1, Mr B provided a screen shot of his bank statements which showed that the income Mr B declared was accurate.

A credit search was also carried out and once again the results have been provided. It appears two new loan accounts had been opened within the last six months but one of those was loan 2, as detailed above. Quidmarket knew in October 2021, Mr B had opened a new bank loan of £3,000 with monthly repayments of £288.

Overall, Mr B's debts had decreased since loan 2 to £9,138 but this was still about double the overall indebtedness Mr B had compared to his first loan. And I think there were now signs of financial distress in the credit check results.

Both of Mr B's current bank accounts were now subject to a payment arrangement, presumably to help him reduce the two overdraft balances, which were both close to the account limit at the time this loan was approved.

I've considered what Quidmarket said that Mr B wasn't going over his overdraft limits, but the fact remains, that the banks which provided those overdrafts must have been sufficiently concerned about his overall indebtedness and his financial position because of the two payment arrangements.

However, while Mr B was subject to a payment arrangement on his overdraft there didn't appear to have been any other problems when he settled previous credit accounts. I also have considered that this was Mr B's smallest loan with the smallest repayment term. The

income and expenditure check also suggested that Mr B could afford this loan, but I do think, at this point in time, Quidmarket needed to go further with the checks.

I think, it ought to have started to verify the information Mr B had provided. It was already on notice, from its own checks that Mr B may have potentially been under reporting his expenditure as Quidmarket had to increase his declared expenditure for each previous loan.

So, I think, checking Mr B's income and expenditure would've been the prudent thing to do. Quidmarket could've gone about doing that a number of ways, it could've asked for documentation from Mr B in the form of wage slips and / or copy bills, or it could've asked to see Mr B's bank statements.

I accept there is no regulatory requirement for Quidmarket to have viewed the bank statements but in this case, I think it was proportionate to do so.

In my first provisional decision, I concluded, based on what I had at the time, that had further checks been carried out I don't think Quidmarket would've seen anything that would've prevented it from lending to Mr B.

But as part of the provisional decision, Mr B was invited to send in any further information and / or evidence – which he did. I've now considered this new evidence, and having done so, I'm satisfied that had Quidmarket carried out what I consider to be proportionate checks it wouldn't have lent to Mr B. I say this for the following reasons.

- In the weeks leading up to loan 3, Mr B paid three other high-cost credit providers nearly £900 to service loans – this excludes the payment made in October to Quidmarket. If the Quidmarket loan is included this comes to over £1,200 – which is a significant sum, before any other of Mr B's living costs are considered.
- In addition, on another bank statement there is another loan – I don't know the lender, but the payment is sent as 'loan' for £276. So, Mr B, had spent in the weeks leading up to loan 3, nearly £1,500 serving outstanding loans. In my view, this is a significant portion of his income on going towards debt repayment before any of his living costs are taken into account.
- Mr B was also at or near his overdraft limit even after he was paid, and I can see several transfers between his various accounts and sub accounts known as 'pots'. But having reviewed each pot – there is no savings being kept and / or additional money. Indeed, money is frequently moved between the pots and Mr B's two main current accounts. It seems to me, that Mr B is trying to move money around to prevent payments being returned as unpaid and / or to keep the accounts within the agreed overdraft limits.
- Indeed, even doing this, I can see times when Mr B exceeded his overdraft limit on the account where he received his salary – even though this account was subject to a payment arrangement. I think this is further evidence that Mr B was likely having financial difficulties.

Overall, considering the overdraft balance as well as the payment arrangement, how Mr B was trying to manage those each month and with at least 4 other loans (and at least 3 of these were high-cost credit loans). I don't think given the circumstances that had Quidmarket carried out a proportionate check it would've thought Mr B would be in a position to repay this loan in a sustainable manner.

I'm therefore intending to uphold Mr B's complaint about loan 3 only.

Responses to the second provisional decision

Both Mr B and Quidmarket were asked to provide anything further for consideration as soon as possible, but in any event, no later than 15 December 2022.

Mr B emailed the Financial Ombudsman confirming he accepted the findings that were reached in the provisional decision.

Quidmarket responded to the second provisional decision, and I've outlined its comments below.

- The ombudsman accepts this was the smallest loan to date.
- The payment arrangements for the overdraft doesn't mean Mr B was in financial hardship. Instead, it could be due to the bank reducing the balances of overdrafts for customers who were continuously overdrawn.
- In the first provisional decision, the ombudsman concluded that proportionate checks were carried out for loan 3 – this has now changed.
- This was a short lending chain where Mr B declared a significant level of disposable income.
- Feedback has been provided to the industry regulator in relation to ombudsman's decision that seem to look for reasons to uphold the complaint rather than taking an objective view.

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.

Firstly, to be clear, I did conclude in the first provisional decision that the checks Quidmarket carried out before loan 3 was approved, weren't likely proportionate and it ought to have done more before lending to Mr B. But based on the evidence I had at the time, I didn't have enough to say the loan was unaffordable, which is what led to the first provisional decision. The first provisional decision was a different outcome to the one the adjudicator had reached.

However, as further information was provided by Mr B in response to the first provisional decision, it is my role to reconsider the complaint and include this. Having done so, I was satisfied that the further information highlighted that Mr B couldn't afford the repayments he was due to make for loan 3.

While I've considered that Quidmarket says about the possible reasons why the bank accounts were subject to a payment arrangement. Whatever the reason, the fact that Mr B was significantly overdrawn to the extent that further support was needed in the form of a payment arrangement isn't in my view a positive indicator that someone is in good financial health. In addition, information, about the payment arrangement was being reported in the credit check results provided by Quidmarket.

But the payment arrangement on the overdraft wasn't the only reason why the complaint was upheld. There was also, as explained in the second provisional decision, in my view, a significant amount of money being spent on servicing other credit commitments.

I appreciate what Quidmarket says about it has approached the regulator about other cases it has decisions on, but based on the individual circumstances of this case, I'm satisfied that further checks needed to have been carried out before loan three was approved. And had proportionate checks been carried out, then Quidmarket in my view, wouldn't have advanced this loan to Mr B.

I'm therefore still upholding Mr B's complaint about loan three and I've outlined below what Quidmarket needs to do to put things right for Mr B.

Putting things right

In deciding what redress Quidmarket should fairly pay in this case I've thought about what

might have happened had it not lent loan 3 to Mr B, as I'm satisfied it ought not to have. Clearly there are a great many possible, and all hypothetical, answers to that question.

For example, having been declined this lending Mr B may have simply left matters there, not attempting to obtain the funds from elsewhere – particularly as a relationship existed between them and this particular lender which they may not have had with others. If this wasn't a viable option, they may have looked to borrow the funds from a friend or relative – assuming that was even possible.

Or, they may have decided to approach a third-party lender with the same application, or indeed a different application (i.e. for more or less borrowing). But even if they had done that, the information that would have been available to such a lender and how they would (or ought to have) treated an application which may or may not have been the same is impossible to reconstruct now accurately. From what I've seen in this case, I certainly don't think I can fairly conclude there was a real and substantial chance that a new lender would have been able to lend to Mr B in a compliant way at this time.

Having thought about all these possibilities, I'm not persuaded it would be fair or reasonable to conclude that Mr B would more likely than not have taken up any one of these options. So, it wouldn't be fair to now reduce Quidmarket's liability in this case for what I'm satisfied it has done wrong and should put right.

Quidmarket shouldn't have given Mr B loan 3.

- A. Quidmarket should add together the total of the repayments made by Mr B towards interest, fees and charges on this loan.
- B. Quidmarket should 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. Quidmarket should pay Mr B the total of "A" plus "B".
- D. Quidmarket should remove any adverse information it has recorded on Mr B's credit file in relation to loan 3.

*HM Revenue & Customs requires Quidmarket to deduct tax from this interest. Quidmarket should give Mr B a certificate showing how much tax it has deducted if he asks for one.

My final decision

For the reasons I've explained above and in the second provisional decision, I'm upholding Mr B's complaint in part.

Stagemount Limited trading as Quidmarket should put things right for Mr B as directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 13 January 2023.

Robert Walker
Ombudsman