

## The complaint

Miss R complains Stagemount Limited trading as Quid Market (Quid Market) gave her a loan which she couldn't afford to repay.

## What happened

Miss R was advanced one loan on 18 July 2018 for £400 and she was due to make six monthly repayments of £125.38. The loan was repaid on 18 January 2019.

Following Miss R's complaint, Quid Market wrote to her to explain why it wasn't going to uphold it because it had carried out proportionate checks before the loan was granted. However, as a gesture of goodwill, Quid Market offered to remove the loan from her credit file.

Unhappy with this response, Miss R referred the complaint to the Financial Ombudsman. The case was then considered by an adjudicator, and he didn't think Miss R's complaint should be upheld. In his view, Quid Market carried out proportionate checks which showed Miss R would be able to afford the loan.

Miss R didn't agree with the adjudicator's assessment. I've summarised her response below.

- She was in serious financial difficulties from 2008 until 2021.
- During this time, she took a number of different credit accounts including payday loans, other loans and credit cards.
- Her credit rating was poor, and Miss R would often be refused credit.
- Miss R has raised other complaints about irresponsible lending and these have been successful so she doesn't see why this case should not be upheld in her favour as well.

As no agreement has been reached, the case has been passed to me to resolve.

## 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.

Quid Market had to assess the lending to check if Miss R could afford to pay back the amount she'd borrowed without undue difficulty. It needed to do this in a way which was proportionate to the circumstances. Quid Market'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 Miss R'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 Quid Market should have done more to establish that any lending was sustainable for Miss R. These factors include:

- Miss R 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);
- Miss R 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);
- Miss R 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 Miss R. As there was only one loan the adjudicator didn't think this applied to Miss R's complaint.

Quid Market was required to establish whether Miss R could *sustainably* repay the loan – 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 Miss R was able to repay her loans 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 Miss R's complaint.

For this loan, Miss R told Quid Market she was taking the loan to pay for a holiday. As part of her application, she declared a monthly income of £1,536. She also declared monthly outgoings of £975 to cover a number of different items including, rent, food, other credit commitments and utilities.

Quid Market believed, based on the information Miss R provided she had around £561 a month disposable income. However, it adjusted this figure down following the credit check (which I explain in more detail below) that it carried out. It discovered total existing commitments of around £251 and so reduced Miss R's disposable monthly income figure to £361.

Based solely on the information Miss R declared to Quid Market, it would've been reasonable for it to believe Miss R would be in a position to afford her monthly repayment of around £126.

Quid Market has also said it carried out a credit search and it has provided the Financial Ombudsman with the results. It is worth saying that there is no requirement within the regulations at the time to have carried out a credit search let alone one to a specific standard. But what Quid Market couldn't do is carry out a credit search and then not react to any concerning information that it may have seen.

So, although Miss R has provided a copy of her full credit report, I'm not, in this case going to be considering it, because Quid Market did a credit search and has provided the results which it saw at the time of the application. In my view, Quid Market was also entitled to rely on the results it was given as it didn't have anything to suggest the results were in anyway inaccurate.

Having reviewed the credit check results, Quid Market knew that Miss R had defaulted on an account three months before this loan was advanced. And while there were other, older defaults on the credit file some of these were five or six years old, and so wouldn't have been reflective of Miss R's ability to repay a loan when she applied for it. But the one recent default, would on its own, not be sufficient, in my view for Quid Market to have declined her application.

The information provided by Quid Market there wasn't anything which suggested Miss R was having financial difficulties when the loan was advanced. For example, there wasn't a history of Miss R regularly opening new credit facilities – which could be a sign of dependence on pay day loans. The credit check results showed she had only opened two new credit accounts within the six months before the loan being advanced.

Thinking about the credit checks results as well as the income and expenditure information, there was also nothing else in the information that I've seen that would've led Quid Market to believe that it needed to go further with its checks – such as verifying the information Miss R had provided. So, while Miss R has provided her bank statements, in this case, it would've been disproportionate for Quid Market to have considered them.

Given it was early on in the lending relationship, I think it was reasonable for Quid Market to have relied on the information Miss R provided about her income and expenditure figures to show she had sufficient disposable income to afford the repayments. There also wasn't anything else to suggest that Miss R the loan repayments would be unsustainable for her.

I've also considered what Miss R says about the success she has had with other irresponsible lending complaints. But each case is considered on its own individual merits considering – but not limited to the number of loans lent by the lender, the value of those loans, the term and what the lender at the time knew about Miss R. Therefore, just because other lenders have upheld complaints for Miss R that doesn't automatically mean Quid Market made an error by granting this loan.

Finally, it isn't clear whether the offer Quid Market made in its final response letter is still available to Miss R. So, I'll leave this up to Miss R to speak to Quid Market about this offer.

Overall, and having thought about everything, I'm not upholding Miss R's complaint.

### **My final decision**

For the reasons I've explained above, I'm not upholding Miss R's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss R to accept or reject my decision before 2 March 2023.

Robert Walker  
**Ombudsman**