

The complaint

Miss K complains that Stagemount Limited trading as Quidmarket (Quidmarket) gave her loans which she couldn't afford.

What happened

Miss K took two loans from Quidmarket between November 2020 and January 2021. I've outlined a summary of her borrowing below.

loan number	loan amount	agreement date	repayment date	term (months)	monthly repayment
1	£300.00	10/11/2020	29/01/2021	3	£141.94
2	£450.00	31/01/2021	10/11/2021	4	£183.02

Following Miss K's complaint, Quidmarket issued its final response letter (FRL). In summary, it said it had carried out proportionate checks which showed these loans were affordable. Although, Quidmarket didn't uphold the complaint, as a gesture of goodwill it offered to remove these loans from Miss K's credit file. Miss K didn't agree and instead referred the complaint to the Financial Ombudsman.

The complaint was considered by an adjudicator who in his assessment said the credit check results Quidmarket received ought to have prompted it to have carried out further checks before either loan was approved. Had it carried out further checks, it would've likely discovered Miss K was having financial difficulties, she already owed payday lenders a significant sum, had a number of returned direct debits and was spending on gambling transactions.

In addition, he also thought for at least for loan 1, that after the loan was approved, Miss K was committed to spending a significant portion of her income servicing her existing credit commitments, and so was unlikely to be able to afford it.

Overall, the adjudicator fully upheld Miss K's complaint and Miss K appears to have accepted the outcome the adjudicator reached.

Quid Market didn't agree with the outcome and in summary said.

- Miss K only had two loans of small value and a good income.
- Miss K had only opened 4 accounts in the six months before loan 1, not the 5 the adjudicator said had been opened.
- The level of detail the adjudicator went into wasn't proportionate.

The adjudicator explained why these points didn't change his mind about the outcome. As no agreement could be reached the complaint has been passed to me 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.

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 Miss K 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. 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 Miss K'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 Miss K. These factors include:

- Miss K 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 K 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 K 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 K.

Quidmarket was required to establish whether Miss K 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 Miss K 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 K's complaint.

Quidmarket has shown, that as part of the affordability assessment it asked Miss K for details of her income and expenditure. Miss K's income has been recorded as being £2,000 per month for loan 1 and £2,130 for loan 2. Quidmarket says Miss K's income was verified with a copy of her payslip.

Miss K declared for loan 1 monthly outgoings of £605. This left disposable income of around £1,395 per month. However, following further checks (including a credit search which I comment on below) Quidmarket decreased Miss K's monthly disposable income by a further £444 – taking it to £951.

For loan 2, her monthly outgoings were declared as being £675 which left £1,425 per month in disposable income. Again, further checks reduced the monthly disposable income to £710.

Even with this smaller disposable income figure there was still sufficient money for Quid Market to believe Miss K could afford the largest repayment of around £183. The loan looked affordable.

Before these loans were approved Quidmarket also carried out a credit search and it has provided the Financial Ombudsman with a copy of the results it received from the credit reference agency. 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. But what Quidmarket couldn't do, is carry out a credit search and then not react to the to the information it received – if necessary.

Firstly, for loan 1, Miss K had opened 5 accounts in the last six months, but one of those had been repaid – a loan which was closed at the end of October 2020, so only 4 of the 5 accounts were still showing as active.

For loan 1, Quidmarket was told Miss K had 8 active credit accounts with a total debt of £2,472. However, Miss K was utilising 102% of her available credit – which indicates she was above the credit limit on one or more credit account. Therefore, she was technically, in breach of those credit agreement(s).

Miss K already had credit commitments of £421 – before the repayments for loan 1 were considered. This was across what appears to be at three loans and a mobile phone contract. On top of this, Miss K also needed to service a mail order account where she was almost at her limit of £600.

Miss K's credit card was also above its limit of £200. Miss K had been using this account since July 2019 and there had been six occasions where Miss K had exceeded her credit limit on the card.

So, while I accept what Quidmarket says – that Miss K had a small amount of debt, she was showing signs of struggling to keep on top of a relatively small credit card account and that she was regularly seeking and being granted new credit – almost one new credit facility each month in the period leading up to loan 1.

By loans 2, the credit check results showed a change in Miss K's finances. Just over two months later, Miss K's total debt had more than doubled to £5,611 she now had 11 active accounts of which 8 had been opened in the six months prior to loan 2 being granted.

Indeed, given what the results show for the first credit check, Miss K had actually opened 3 new accounts in just under two months. There were also 17 new credit searches carried out within the last three months – which is in my view a significant number. This time, Quidmarket knew of five outstanding loans (with at least one being a payday loan) costing Miss K £562 per month.

While the credit check results are not enough on their own to uphold the complaint, I do think, the evidence that Miss K was likely having problems keeping within her credit limit and appeared to have a need to continue to seek and be granted credit ought to have led Quidmarket to have carried out further checks. This has led me to conclude that Quidmarket didn't carry out a proportionate check before these loans were approved.

Instead, I think Quidmarket needed to gain a full understanding of Miss K's actual financial position to ensure the loans were affordable beyond relying on what Miss K had declared about her income, outgoings and what the credit file showed.

Quidmarket could've carried out these additional checks, in a number of ways, it could've asked for evidence of her outgoings such as copy bills. It could've asked to see copies of Miss K's bank statements or any other documentation it felt it needed to obtain in order to satisfy itself that it had carried out more robust checks.

However, that isn't the end of the matter. For me to be able to uphold the loans, I have to be satisfied that had Quidmarket carried out what I consider to be a proportionate check it would've likely discovered that Miss K couldn't afford her repayments and / or discovered the loans were likely unsustainable for her for some other reason.

Miss K has supplied copy bank statements from around the time these loans were approved. So, it's entirely reasonable for me to consider what these statements show about Miss K's financial position when these loans were advanced. But as I've said above, obtaining copy bank statements was just one of the ways Quidmarket could've gone about verifying her financial position.

Had further checks been carried out, Quidmarket would've likely seen that when loan 1 was approved, Miss K had 7 outstanding payday loans costing her around £827 per month. In addition, and as the adjudicator has pointed out, there are numerous transactions for online betting websites.

At loan 2, a similar picture is seen, there are still numerous betting transactions and Miss K still had seven payday loans outstanding cost her around £958 per month.

Overall, Miss K appears to have had at least 7 outstanding payday loans at the time loans 1 and 2 were advanced, on top of which she was also spending a significant amount of money each month on betting websites. In these circumstances, had Quidmarket carried out what I consider to be a proportionate check it would've likely concluded that Miss K couldn't afford to take on any further borrowing.

I am therefore upholding Miss K's complaint about both of her loans.

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 to Miss K, 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 Miss K may have simply left matters there, not attempting to obtain the funds from elsewhere. 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 Miss K 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 Miss K 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 Miss K either of her loans.

- A. Quidmarket should add together the total of the repayments made by Miss K towards interest, fees and charges on this loan.
- B. Quidmarket should calculate 8% simple interest* on the individual payments made by Miss K which were considered as part of "A", calculated from the date Miss K originally made the payments, to the date the complaint is settled.
- C. Quidmarket should pay Miss K the total of "A" plus "B".
- D. Quidmarket should remove any adverse information it has recorded on Miss K's credit file in relation to the loans.

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

My final decision

For the reasons I've explained above, I'm upholding Miss K's complaint.

Stagemount Limited trading as Quidmarket should put things right for Miss K as directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K to accept or reject my decision before 18 May 2023.

Robert Walker
Ombudsman