

The complaint

Mr F complains that Stagemount Limited trading as Quidmarket (Quidmarket) gave him loans while he was struggling financially. Mr F says these loans made his financial situation worse and he was forced to take out further loans.

What happened

Mr F took two loans from Quidmarket, and I've summarised his borrowing in the table below.

loan number	loan amount	agreement date	repayment date	number of instalments	highest repayment
1	£600.00	19/07/2021	26/11/2021	5	£194.78
2	£900.00	30/11/2021	16/03/2022	6	£289.17

Quidmarket wrote to Mr F with a final response letter, and it didn't uphold the complaint. But as a gesture of goodwill, it offered to remove the loans from Mr F's credit file. Unhappy with this response, Mr F referred the complaint to the Financial Ombudsman.

The complaint was then considered by an adjudicator. She concluded Quidmarket made a reasonable decision to lend loan 1, but she did uphold the complaint about loan 2. She said the credit checks at loan 2, may have indicated Mr F was regularly opening new credit accounts in the six months before this loan was approved. This led the adjudicator to conclude Quidmarket needed to carry out further checks before lending further funds.

Had, Quidmarket carried out further check it would've likely discovered in the month before this loan was approved Mr F had taken a new loan of £1,000 and was making repayments to two running credit providers as well as other instalment loans. Knowing this, the adjudicator concluded this loan ought to not have been advanced.

Quidmarket didn't agree with the outcome. In response, in summary it said:

- At loan 2, Mr F's income had significantly increased, and he was living at home at the time the loan was approved.
- Based on the lending relationship and the information available, Quidmarket made a reasonable decision to advance loan 2.
- It isn't reasonable for a second loan for Quidmarket to have carried out more in-depth checks.
- The overdrafts (on his current account) had been opened when Mr F was 18 and going to university and these overdrafts will be interest free and it isn't for Quidmarket to say how these should be repaid.

As no agreement has been reached, the case 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 Mr F could afford to pay back the amounts 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 F'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 F. These factors include:

- Mr F 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 F 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 F 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 F. The adjudicator didn't believe this applied to Mr F's complaint because only two loans were advanced.

Quidmarket was required to establish whether Mr F 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 F 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 F's complaint.

Quidmarket only disagreed with the adjudicator's assessment about loan 2, so from that I infer from that is it was content with the outcome the adjudicator reached for loan 1. In addition, Mr F also appears to have accepted the adjudicator's findings about the complaint.

So, to me, it seems loan 1 isn't in dispute. But for the avoidance of doubt, I also don't think Quidmarket made an unreasonable decision to provide that loan based on carrying out proportionate checks. So, I say no more about it. Instead, this decision will focus on whether Quidmarket ought to have granted loan 2.

Loan 2

Before the loan was approved, Quidmarket took details of Mr F's income and expenditure. Quidmarket has recorded "*wages into bank account*" as £2,600 per month. Quidmarket has recorded Mr F's disposable income as being £1,633 per month – which implies that it has taken monthly expenditure (both declared and from its checks) of £967.

Before this loan was given, Quidmarket says it also carried out a credit search. It is worth saying here 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 can't do is carry out a credit search and then not react to the information it received – if necessary.

Having looked at the credit search results provided by Quidmarket there is information contained within it, which ought to have led it to carry out further checks before advancing this loan.

Mr F's debt was slightly larger than when his first loan was approved. However, Quidmarket was aware that Mr F had opened seven new credit accounts within the last six months – which was on average more than one new account per month.

Knowing, this I think there was a real risk that Mr F may have been using other high-cost credit providers and so was at risk of not being able to sustainably repay this loan. This is further supported, by the fact that Mr F had had six credit searches recorded on his credit file within the last three months, evidence in my view, that at least recently, Mr F had a continued need for new credit.

Therefore, given the results of the credit searches, I don't think it was reasonable for Quidmarket to have relied on what Mr F declared to it about his income and expenditure even though this information suggested Mr F could afford the loan repayments. This is because, the information in the credit search suggested that Mr F was regularly seeking and being granted new credit which could be a sign that someone was having problems managing their money because there was a need for new funds.

Instead, I think Quidmarket needed to gain a full understanding of Mr F's actual financial position to ensure the loan was affordable and sustainable for him. This could've been done in several ways, such as asking for evidence of his outgoings, or looking at bank statements and/or any other documentation Quidmarket considered it reasonably needed to obtain. This might've helped verify information provided and revealed whether there was any other information that Quidmarket might've needed to consider about Mr F's financial position.

Mr F has provided copy bank statements for the period leading up to this loan being approved, and therefore, I think it's entirely reasonable to review this to see what Quidmarket may have discovered had it carried out what I consider to be proportionate checks.

It would've likely discovered that in the month of November 2021, Mr F was advanced £1,750 from two other high-cost credit providers – excluding his Quidmarket loan. Therefore, indicating in the months ahead, Mr F would have new loan repayments that he would need to make.

On top of this, I can see payments to two other high-cost short term loan providers, totalling £362.07 per month. He had another high-cost loan costing Mr F nearly £220 per month, a number of credit card payments. He was regularly utilising drawdowns and therefore having to make repayments to two flexible credit facilities – in November 2021 he made payments totalling over £400 to such facilities.

On top of this, there are at least two payments in the month of November 2021 where the direct debits were returned as unpaid, likely due to insufficient funds. These were payments for what I believe to be car insurance and another one for a high-cost loan. And of course, the Consumer Credit Sourcebook section 1.3.1 indicates missed direct payments are possible indicators of a consumer having financial difficulties.

Quidmarket also mentions the overdraft, I don't know how much (if any) of it was interest free. But there would of course be a point where Mr F would be expected to repay these and or be charged interest on some or all the balance. But the presence of the overdraft has not impacted the outcome of this complaint because I'm satisfied there is enough other information to have led Quidmarket to conclude it shouldn't have advanced this loan.

So not only was Mr F already significantly overextended each month with his repayments – and was continuing to take on new credit given a further £1,750 was advanced. He was also displaying signs of possible financial difficulties with missed Direct Debit payments. This ought to have led Quidmarket to conclude he couldn't afford to take on and repay loan 2 in a sustainable manner.

In conclusion, I don't think Quidmarket carried out a proportionate check before granting this loan, and had it done so, it would've likely discovered he wasn't able to take on any new credit and Quidmarket ought to not have advanced the loan.

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 provided Mr F with his second loan, as I'm satisfied it ought to have. Clearly there are a great many possible, and all hypothetical, answers to that question.

For example, having been declined this lending Mr F may have simply left matters there, not attempting to obtain the funds from elsewhere – particularly as a relationship existed between them and this 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 now accurately reconstruct. 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 F in a compliant way at this time.

Having thought about all of these possibilities, I'm not persuaded it would be fair or reasonable to conclude that Mr F 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 F loan 2.

- A. Quidmarket should add together the total of the repayments made by Mr F towards interest, fees and charges on the loan.
- B. Quidmarket should calculate 8% simple interest* on the individual payments made by Mr F which were considered as part of "A", calculated from the date Mr F originally made the payments, to the date the complaint is settled.

- C. Quidmarket should pay Mr F the total of “A” plus “B”.
- D. Quidmarket should remove any adverse information it has recorded on Mr F’s credit file in relation to loan 2.

*HM Revenue & Customs requires you to deduct tax from this interest. You should give Mr F a certificate showing how much tax you’ve deducted, if he asks for one.

My final decision

So, for the reasons I’ve explained above, I’m upholding Mr F’s complaint in part.

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

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr F to accept or reject my decision before 16 March 2023.

Robert Walker
Ombudsman