

The complaint

Mr W, through his representative, complains that Stagemount Limited, trading as Quidmarket, lent to him irresponsibly. He says that he had lots of other debt and the credit file and bank account statements would have shown that.

What happened

Mr W took five loans from Quidmarket, two of which he withdrew from within the terms of the agreement. These are set out in the final response letter and both parties have the copy. He had loans with Quidmarket between 15 October 2018 and 16 November 2020.

Mr W's representative received a final response letter (FRL) which gave comprehensive details about how Quidmarket had approached the five loans when Mr W had applied to it. Quidmarket did not uphold his complaint.

One of our adjudicators looked at the complaint after it had been referred to the Financial Ombudsman Service and she did not consider that Quidmarket had lent to Mr W irresponsibly.

Mr W's representative has asked for it to be referred to an ombudsman and so it was passed to me. On 13 April 2023 I provisionally decided to uphold Mr W's complaint in part and that is duplicated in the next section of this decision. It is in smaller type size.

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 W 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 W's income and expenditure.

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 W.

These factors include:

- Mr W 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 W 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 W 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 W.

Quidmarket was required to establish whether Mr W 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 W 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, 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.

duplication of my provisional findings dated 13 April 2023

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

Break in the lending

I have noticed that there was a nine month gap between loan 2 being repaid on 15 March 2019 and loan 3 being applied for on 16 December 2019. So, I agree with our adjudicator that this nine month break would have been enough time to break the loan chain. I will be considering loans 1 and 2 as one chain of lending and loans 3 to 5 as the second chain.

Withdrawn loans

I disagree with our adjudicator where she has indicated that the withdrawn loans do not need to be reviewed. I have seen from records that Mr W still had to pay some element of interest on the withdrawn loans over and above the principal sums and so there was an element of loss. And the loans were considered and approved by Quidmarket and so I have reviewed those lending decisions in the same way I have for the other three loans.

Loans 1 and 2

Mr W approached Quidmarket as a new customer in October 2018. It was for a £300 loan. Quidmarket verified his income and employment and so it proceeded on the basis that his declared income of £2,500 a month (after tax) was accurate. Mr W lived at home with his parents and had declared rent and so it seems he paid money to them but no separate utility bills.

Quidmarket did not need to, but did obtain, a credit report on Mr W's financial situation. The headline figures were that he had £30,859 of total debt balances of which £2,933 were revolving credit accounts such as credit cards. He was 97% up to his credit limit of £3,000 on those revolving credit accounts. Mr W had had 126 accounts (114 settled) within he last six years as that was the period usually covered by credit reports. Of those accounts, 12 were active and he had opened 22 in the last six months. Mr W had 32 searches against his name in the previous six months.

I went through that credit search set of results and I have been able to identify a total credit

repayment commitment each month of £781 plus a hire purchase (HP) liability of £399 a month. Added to which he was likely having to pay the minimum repayment of around 3% to his credit card balance of £ 2,460 which would have been about £74. The total I calculated was £1,254.

In the FRL Quidmarket had reached a similar conclusion based on its own credit search – that Mr W's monthly credit commitments were £1,267. So the Quidmarket underwriter reduced Mr W's disposable income from the initial figure of £1,345 to £558.

The repayments for loan 1 of £300 were scheduled as £25.20 a week for 21 weeks and so that equated to around £109.20 a month. The total charge for credit was £229.20. He repaid it a week early on 8 March 2019.

The repayments may have appeared affordable as they were effectively £109 each month with a disposable income of £558 a month. But the overall credit picture showed that he was obtaining and settling loans in quick succession and that he was already paying at least £1,254 a month on credit commitments before the Quidmarket loan. It translated to have been around 50% of his net income. And the Quidmarket loan repayments would have led to that being even higher. So, I do not consider that was the right decision to lend to Mr W.

Loan 2 was applied for a day after repaying loan 1. It was for more money (£500) and Mr W's credit situation had changed a bit. Still Quidmarket has said in its FRL – and I have checked this – that it had calculated Mr W's credit commitments were costing him £1,528 a month. This would have been around 61% of his net monthly income. With the Quidmarket loan repayments then that would have been higher.

The repayments were scheduled as £37.80 a week over 26 weeks which translated to be around £164 a month. The total charge for the credit was £482.80. So, for the same reasons given as for loan 1 I consider that the credit commitments Mr W already had ought to have led Quidmarket not to have lent loan 2 to him.

I plan to uphold Mr W's complaint for loans 1 and 2.

Loans 3 to 5

Loan 3 was taken on 16 December 2019 and repaid on 12 June 2020. Loan 4 was applied for and taken 24 October 2020, repaid as a withdrawn credit agreement on 26 October 2020 after which Mr W applied for loan 5 on 31 October 2020 – just a few days later.

I have looked at all these three loans. They were for £300 and £400 each and loan 4 was withdrawn so the total amount repaid on that loan was just £3.20 over the principal of £400 taken.

Further, Loan 4 (ultimately withdrawn) was applied for on 24 October 2020 which was four and half months after Mr W had repaid loan 3. This was a significant break and one I'm almost persuaded may be treated to break the lending relationship again. But having thought about it I have chosen to proceed to view loans 3, 4 and 5 as one loan chain.

However, I can't ignore that lengthy gap. It would have demonstrated to Quidmarket that Mr W was not particularly in need of further credit and/or not likely to have been reliant on its credit. And that inevitably would have been part of the considerations Quidmarket took into account when doing its creditworthiness assessment for loan 4.

Loan 5 was applied for a few days after Mr W had withdrawn from and repaid loan 4 in late October 2020.

I have reviewed each of Mr W's applications and I have reviewed the credit searches Quidmarket carried out for loans 3, 4 and 5. Overall, Mr W's situation financially appeared to have improved and so I consider that these loans were affordable.

For example, for loan 3, Mr W's income had increased to £2,680 a month after tax, he was still living with his parents and his total credit commitments had reduced to £709 (including minimum repayments on the credit card debts). Mr W had taken a new HP agreement which was less money each month at £308. So, his total credit commitments were £1,017 which presented a better picture than for loan 2 which had been a figure of £1,528.

The repayments for loan 3 were a few pence over £23 a week and that translated into just under £100 a month, then these plus Mr W's relatively modest household expenditure leads me to consider that Quidmarket was not irresponsible when it lent to him in December 2019 for loan 3.

At loan 4, the headline debt figures revealed in Mr W's credit search carried out by Quidmarket had reduced further as had the number of open accounts and his total repayment commitments each month.

Loan 5 was applied for by Mr W a few days later and the credit search results for loans 4 and 5 were identical as Quidmarket would have obtained them within a few days of each other. They showed that Mr W had overall debt (including the HP and all his credit cards and loans) of £23,976 plus was 81% on his balance to limit ration for the credit card debt. He had 11 active accounts. He had opened fewer accounts leading up to that search date and had fewer searches registered. So, the overall situation appeared better and I think he was able to afford the repayments for loans 4 and 5.

I note that Mr W's representative has sent to us bank account statements for one of Mr W's accounts (the credit search details show me he had two current accounts). These are therefore not a complete set as they are only of one account and they cover the period July 2020 to February 2021. So, the partial records I have from Mr W would only have been relevant to loans 4 and 5, taken days apart in October 2020. In any event, I have not come across any reason for Quidmarket to have been prompted to ask for and review Mr W's full financial situation. It already had carried out checks I'd consider to have been proportionate for these relatively modest loans. And so, I would not expect it to have looked at Mr W's bank account statements. In the circumstances I do not consider them particularly relevant to my provisional decision.

I plan not to uphold Mr W's complaint about these three loans.

How did the parties respond?

Mr W's representative responded to say it had nothing further to add.

Quidmarket has replied and has disagreed. It has said:

- Mr W had a high level of income and lived at home with his parents and so Quidmarket says he had a high level of disposable income
- Quidmarket has repeated an earlier part of the decision where I have outlined the usual approach that we consider lending businesses ought to take. It has cited: "*in the early stages of a lending relationship, less thorough checks might have been proportionate.*" So Quidmarket has said I've got it wrong for loans 1 and 2.
- Quidmarket goes on to indicate that the next part of my decision (for loans 3 to 5) does not fit with my earlier provisional decision about loans 1 and 2.

Quidmarket points out that for loans 3, 4 and 5, I had provisionally decided not to uphold the complaint about them because I had determined that the *'customer was better off'*. Quidmarket has said Mr W's income had only increased by £100 a month from £2,500 to £2,600 and Quidmarket says that Mr W's other expenses had not changed.

I have reconsidered the complaint in detail taking into account Quidmarket's cogent points.

I have chosen to include a loan table as I think that may add some clarity.

Loan	Approved	Amount	Repayments	Term	Repaid date or withdrawn date
1	13 October 2018	£300	£25.20 week (monthly equivalent around £109.20)	21 weeks	8 March 2019
2	9 March 2019	£500	£37.80 a week (monthly equivalent of around £164)	26 weeks	15 March 2019 (withdrawn) Paid £520
Gap of nine months					
3	16 December 2019		£23.06 a week (monthly equivalent under £100)	26 weeks	12 June 2020
Four and a half month gap					
4	24 October 2020	£400	£30.79 (monthly equivalent £133.42)	25 weeks	Withdrawn on 26 October 2020 Paid £403.20
5	31 October 2020	£400	£30.79 (monthly equivalent £133.42)	25 weeks	16 November 2020

Loans 1 and 2

I'm repeating here *some* of the points already outlined in the provisional decision. The duplicated points here are to highlight some of the points I had already made in the provisional decision and so I invite Quidmarket to read all the provisional decision about loans 1 and 2. On loan 1 I said:

Quidmarket did not need to, but did obtain, a credit report on Mr W's financial situation. The headline figures were that he had £30,859 of total debt balances of which £2,933 were revolving credit accounts such as credit cards. He was 97% up to his credit limit of £3,000 on those revolving credit accounts. Mr W had had 126 accounts (114 settled) within the last six years as that was the period usually covered by credit reports. Of those accounts, 12 were active and he had opened 22 in the last six months. Mr W had 32 searches against his name in the previous six months.

This picture was a very poor one and indicates that Mr W had taken four new loans a month for the six months period leading up to applying to Quidmarket for loan 1.

And later I said about the loan 1 circumstances:

The repayments may have appeared affordable as they were effectively £109 each month with a disposable income of £558 a month. But the overall credit picture showed that he was

obtaining and settling loans in quick succession and that he was already paying at least £1,254 a month on credit commitments before the Quidmarket loan. It translated to have been around 50% of his net income. And the Quidmarket loan repayments would have led to that being even higher. So, I do not consider that was the right decision to lend to Mr W.

I consider that Quidmarket's loan 1 would have been unsustainable.

On loan 2 I said:

Mr W's credit commitments were costing him £1,528 a month. This would have been around 61% of his net monthly income. With the Quidmarket loan repayments then that would have been higher.

And so, I remain of the view that having obtained the credit reference agency (CRA) information Quidmarket did get about Mr W, then it was not able to ignore it. And the additional loans from Quidmarket would have been too much each month considering the whole picture, not just one part of it.

Loans 3 to 5 were approached by me as if they were in a new loan chain and Quidmarket has not objected to that. Mr H has not made any representations about it and so I maintain that approach.

And as for loans 3 to 5, with the nine month gap after loan 2 and the four and a half month gap after loan 3 I saw that the financial picture Quidmarket had obtained about Mr W had altered. And the gaps would not have indicated to Quidmarket that Mr W was becoming reliant on its credit. And considering it all, including the £180 a month increase in his income (not £100 as Quidmarket has suggested) plus the fall in his credit commitments, I remain of the view that loans 3, 4 and 5 were affordable.

I uphold Mr W's complaint about loans 1 and 2 and not about loans 3 to 5.

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 loans 1 and 2 to Mr W, 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 W 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 Mr W 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 W 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 W loans 1 and 2.

A. Quidmarket should add together the total of the repayments made by Mr W towards interest, fees and charges on these loans.

B. Quidmarket should calculate 8% simple interest* on the individual payments made by Mr W which were considered as part of "A", calculated from the date Mr W originally made the payments, to the date the complaint is settled.

C. Quidmarket should pay Mr W the total of "A" plus "B".

D. Quidmarket should remove any adverse information it has recorded on Mr W's credit file in relation to loans 1 and 2.

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

My final decision

My final decision is that I uphold the complaint in part and I direct that Stagemount Limited trading as Quidmarket does as I have outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 26 May 2023.

Rachael Williams
Ombudsman