

The complaint

Mr M complains through a representative that Stagemount Limited trading as Quidmarket (Quidmarket) gave him loans without carrying out proportionate affordability checks.

What happened

Mr M took three loans from Quidmarket between November 2020 and August 2021. I've outlined a summary of his borrowing below.

loan number	loan amount	agreement date	repayment date	term (months)	monthly repayment
1	£300.00	09/11/2020	26/02/2021	4	£117.46
2	£400.00	28/02/2021	12/07/2021	5	£145.58
3	£600.00	03/08/2021	26/01/2022	6	£196.65

Following Mr M's complaint, Quidmarket issued its final response letter (FRL) to his representative. 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 Mr M's credit file.

Mr M's representative didn't agree and instead referred the complaint to the Financial Ombudsman.

The complaint was considered by an adjudicator who didn't uphold it about loan 1. However, the adjudicator thought Quidmarket shouldn't have approved loans 2 and 3. The adjudicator said, since loan 1, Mr M had taken a further two instalment loans which led to Mr M spending over £500 each month solely on credit commitments – which the adjudicator thought was too high. For loan 3, the adjudicator could see that Mr M – on just repaying his existing loans was having to pay over £530 per month and he had credit cards that also needed servicing as well. Again, in his view, Mr M's credit commitments were at an unsustainable level.

Neither Quidmarket nor Mr M's representative acknowledged or responded to the adjudicator's assessment.

As no agreement 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 Mr M 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 M'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 M.

These factors include:

- Mr M 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 M 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 M 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 M.

Quidmarket was required to establish whether Mr M 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 M 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.

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

Neither Mr M's representative nor Quidmarket appear to disagree that loan 1 wasn't lent correctly. So, I no longer think this loan is in dispute. But I would say, just briefly, that I also don't think that Quidmarket made an unreasonable decision because it carried out a proportionate check which showed the loan was affordable. I therefore say no more about it, instead this decision will focus on loans 2 and 3.

Loans 2 and 3

For each of these loans, the amount Mr M borrowed increased as well as the term which therefore, led to Mr M's monthly commitment increasing each time.

Before these loans were approved the same sort of checks were carried out. Quidmarket asked for Mr M's income and expenditure details as well as carrying out a credit search.

For loan 2, Mr M declared his income as being £1,314 per month and for loan 3 he declared an income of £1,432. For loans 2 Quidmarket also asked Mr M for a copy of his bank statements to confirm his income. So, I'm satisfied that Quidmarket had an accurate idea as to how much Mr M was earning at the time these loans were granted.

For loan 2, Mr M declared monthly expenditure of £580 – which left him with disposable monthly income of £734. However, Quidmarket also carried out a credit search before this loan was approved (which I go into more detail below) and having done so, it increased his monthly outgoings by a further £380 which reduced Mr M's disposable income to £328 per month.

A similar process was carried out before loan 3, so Mr M declared his expenditure and following a credit search and making adjustments to the information Mr M had provided, Quidmarket conclude he had £414 per month disposable income.

Before these loans were approved Quidmarket also carried out a credit search and it has provided the Financial Ombudsman Service 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.

Quidmarket was also entitled to rely on the information it was given by the credit reference agency. So, I've looked 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 M's application.

For loan 2, Mr M's overall indebtedness had increased significantly since loan 1. In addition, the credit check results showed that in the two months leading up to loan 2, Mr M had been granted credit totalling £2,803 – from lenders the credit file had noted as being "Finance House". Mr M also had a credit card that needed servicing.

These three loans had combined monthly repayments of £287. On top of this, Mr M would've had his commitment to Quidmarket of around £145. So, Mr M was going to be committed to spending at least £442 per month against an income of around £1,300.

For loan 3, Mr M's situation had in my deteriorated further. His overall indebtedness had almost doubled since loan 2, to £5,539. The number of active accounts had also increased from 7 (at loan 2) to 14.

Mr M had four "Finance House" loans outstanding – 3 had a total monthly repayment of £337. There was also a newly opened loan in June 2021 which the credit report says had a monthly repayment of £300 although given the amount borrowed and term of the loan – it's likely the repayments weren't as high as that. In addition, he would've also had a monthly commitment of around £196 due to Quidmarket.

So, Mr M's monthly credit commitments to the three loans I can see as well as this proposed Quidmarket loan came to around £534. On top of this he had the loan opened in June 2021 and Mr M had opened a new credit card account in April 2021 and was already close to his credit limit of £900. He also had a second credit card to repay which had a balance of £406.

In addition, the credit file shows Mr M was still taking out new credit, even when he had settled previous loans. For the third loan I can see that Mr M settled two finance house loans in July 2021. This isn't sustainable as it does suggest that Mr M was needing to take out new loans to fill a hole paying a previous loan left in his finances. And Quidmarket knew this from the data that it had been provided by the credit reference agency.

So, like the adjudicator, when loans 2 and 3 were granted, in my view Mr M was already committed to spending a significant portion of his verified income in servicing existing debts. In these circumstances, in my view, there was a significant risk Mr M wouldn't have been able to meet his existing commitments without having to borrow again. So, I think it's unlikely Mr M would've been able to sustainably meet his repayments for these two loans.

Overall, I am upholding Mr M's complaint about loans 2 and 3.

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 2 and 3 to Mr M, 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 M 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 M 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 M 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 M loans 2 and 3.

- A. Quidmarket should add together the total of the repayments made by Mr M towards interest, fees and charges on these loans.
- B. Quidmarket should calculate 8% simple interest* on the individual payments made by Mr M which were considered as part of "A", calculated from the date Mr M originally made the payments, to the date the complaint is settled.
- C. Quidmarket should pay Mr M the total of "A" plus "B".
- D. Quidmarket should remove any adverse information it has recorded on Mr M's credit file in relation to loans 2 and 3.

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

My final decision

For the reasons I've explained above, I'm upholding Mr M's complaint in part.

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

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

Robert Walker
Ombudsman