

The complaint

Mr M complains 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 October 2021 and February 2022. I've outlined a summary of his borrowing below.

loan number	loan amount	agreement date	repayment date	term (months)	monthly repayment
1	£600.00	02/10/2021	04/10/2021	6	£194.71
2	£500.00	23/10/2021	11/01/2022	5	£164.58
3	£500.00	07/02/2022	13/04/2022	6	£158.73

Following Mr M'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 Mr M's credit file.

Mr M didn't agree and instead referred the complaint to the Financial Ombudsman. When he did though, Mr M explained these loans were only repaid due to gambling winnings, taking other payday loans and borrowing money from friends.

The complaint was considered by an adjudicator who didn't uphold it because she thought the offer made in the FRL – which Quidmarket said was still available - was a fair and reasonable resolution to the complaint. The adjudicator explained proportionate checks had been carried out which showed Quidmarket the loans were affordable and there wasn't anything to suggest the loan repayments would've been unsustainable for Mr M.

Mr M didn't agree with the adjudicator's assessment. Mr M has sent a few emails – all of which I have read but I've summarised his response below.

- Had Quidmarket taken a closer look at his income and expenditure then it “...*would have sent alarm bells ringing*”.
- A review of the bank statements would've shown these loans to be unaffordable.
- Mr M said he underestimated his outgoings in order to be approved for the loans.

The adjudicator responded to Mr M's concerns, but ultimately his comments hadn't changed her mind about the outcome she had reached.

Mr M remained unhappy saying taking out 3 loans in the space of 5 months ought to have raised concerns with Quidmarket. Later, he sent copy bank statements covering the period that he borrowed from Quidmarket. 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 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. The adjudicator didn't believe this applied to Mr M's complaint.

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.

Loan 1

This was Mr M's first loan, and he withdrew from the agreement and repaid the loan within the 14-day cooling off period afforded to him under the credit agreement. This meant Mr M only paid £9.60 worth of interest to settle this loan.

However, when the loan was granted, Quidmarket wouldn't have known Mr M would repay the loan this quickly and I've set out in the previous section of this decision the key factors I've considered when deciding whether a proportionate check was carried out. Having

reviewed the information Mr M provided as well as everything else Quidmarket was aware of, I am not upholding his complaint about this loan.

Mr M declared his income as being £2,180 per month and Quidmarket says for this loan it verified his income through an electronic check – but no further details have been provided. In any event, given this was the first loan it was reasonable for Quidmarket to have relied on what Mr M declared about his income.

Mr M declared monthly expenditure of £300 – which left him with disposable monthly income of £1,880. 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 to £981 per month which reduced Mr M's disposable income to £1,199.

Before the loan was 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.

Quidmarket was aware that Mr M had 8 active credit accounts (2 of which had been opened within the last 6 months) with total debts of £3,744. As far as I can see Mr M had a mobile phone bill, three credit cards – all within their limits and two loans. The total cost to service all of these accounts each month was around £400. Quidmarket calculated the cost to be around £361. But whether the figure I have calculated, or Quidmarket's own figure is used in the assessment, the loan still looked affordable.

Overall, there were no signs, from the credit check results to indicate Mr M was in financial difficulties or was having problems managing his existing credit commitments.

So given this was the first loan, I think it was reasonable for Quidmarket to have relied on the information Mr M provided to it – which showed he had sufficient disposable income to afford the repayments. There also wasn't anything else within the information to suggest that Mr M was having either financial difficulties or that the loan repayments would be unsustainable for him for some other reason.

I'm therefore not upholding Mr M's complaint about this loan.

Loan 2

Mr M repaid loan 1 much sooner than planned - as I explained above, he did so within the 14-day cooling off period. Mr M says that he was only able to repay the loan so quickly because he borrowed money and he had gambling winnings. While this may well have been the case, I've had to consider whether Quidmarket would've been aware or ought to reasonably have been aware of that by carrying out a proportionate check.

And having thought about the complaint, I don't think it would've known the reasons why Mr M repaid the loan so quickly (and how he did). I say this given it was the second loan and Mr M borrowed a smaller sum. Overall, I think the checks carried out by Quidmarket before this loan was approved went far enough and I've explained why below.

So, while this was the second loan granted to Mr M in October 2021 as he had withdrawn from the first loan agreement, and he borrowed a smaller sum I still don't think yet that it had reached the point where Quidmarket would've been concerned enough about the information being provided to it that would've led it to carrying out further checks – such as reviewing Mr M's bank statements.

Quidmarket carried out the same sort of checks for this loan as it had done for loan 1. Mr M once again declared he earned £2,180 a month and this time his declared outgoings had increased to £466. Quidmarket again made adjustments to these figures and increased Mr M's monthly outgoings to £859. Leaving £1,321 in disposable income to be able to afford the repayment he was committed to making. The loan looked affordable.

A credit search was also carried out, and again, the same comments apply to it. The credit results were almost identical to the one Quidmarket received for the first loan, which isn't surprising given the loans were taken out in the same month.

This loan looked affordable for Mr M based on what I would consider to be a proportionate check for a loan of this value when it was the second loan in a lending chain. As the check was proportionate, it therefore follows that Quidmarket could rely on the results that showed it that Mr M could afford the monthly repayment of around £165 (rounded). I'm not upholding Mr M's complaint about this loan.

Loan 3

Mr M repaid loan 2 earlier than planned but there weren't any obvious repayment problems such as missed or late payments. Mr M returned around a month after repaying loan 2 for this loan and he borrowed the same amount. While, the month gap isn't anywhere near enough to say that this was the start of a new lending chain, the break, could've reasonably been interpreted by Quidmarket to show that Mr M wasn't dependent on the loans.

I say this because he hadn't returned on the same day (or in the days after) to borrow again and he wasn't borrowing any more than he had done so previously. Indeed, by this loan, Mr M had the smallest monthly commitment due to Quidmarket due to the term of the loan now being increased to 6 months.

Quidmarket carried out the exact same checks for this loan as it had done for the other two. Mr M's income remained the same as it had done for his previous loans and his declared outgoings had increased slightly to £490 per month. Further checks were carried out and Quidmarket believed Mr M's outgoings were likely to be around £807. This left Mr M with £1,373 per month to afford his repayment of around £158.

Another credit search was carried out and the results have been provided to the Financial Ombudsman. Compared to the last credit search Mr M's overall indebtedness had reduced to £2,543 and he still had 8 active credit accounts. There was one payday loan account listed but this appears to have been loan 2 that was granted by Quidmarket. All the other accounts such as his credit cards and other loan accounts were up to date and didn't have any missed payment markers.

Based on the checks carried out – which I consider to be proportionate, the loan looked affordable and therefore in these circumstances it was reasonable of Quidmarket to fund it. I do not uphold Mr M's complaint about this loan.

Overall, there wasn't anything in either the way that Mr M had repaid his loans, the way he had borrowed or from the information gathered by Quidmarket that would've made it think it needed to have gone further with the checks. So as before, it was entitled to rely on the information it received and it didn't need to review Mr M's bank statements for example – had it done so, at this point in time I'd have considered it to be disproportionate.

I have thought about Mr M's additional comments that he has raised. I appreciate he may have under declared his expenditure, but given the number of loans, the amounts borrowed, and the checks carried out by Quidmarket (and the adjustments it made) I think it was reasonable for it to have relied on the information Mr M gave it. If he had under declared his expenditure then unfortunately, Quidmarket, at this time weren't to know and therefore couldn't factor those costs into its affordability check.

Finally, the number of loans wasn't in my view enough for further checks to have been carried out. As I've said above, there were small gaps, and one loan was withdrawn. This means, Quidmarket didn't need to review his bank statements. While I can see that Mr M provided them to both the Financial Ombudsman and to Quidmarket as part of his complaint, these weren't needed by Quidmarket when the affordability assessment was undertaken, in order to have carried out a proportionate check.

Overall, I am not upholding Mr M's complaint, but Quidmarket should still do what it offered in the final response letter which is to remove these loans from Mr M's credit file. I realise he will be disappointed by this decision, but I do hope he understand why I have come to the conclusions that I have.

My final decision

For the reasons I've explained above, I'm not upholding Mr M's complaint.

Stagemount Limited trading as Quidmarket do what it has agreed to do in the final response letter and that is to remove these loans from Mr M's credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 8 June 2023.

Robert Walker
Ombudsman