

The complaint

Mr P complains through a representative that Stagemount Limited trading as Quidmarket (Quidmarket) failed to carry out proportionate checks before it advanced him two loans.

What happened

Mr P took two loans from Quidmarket, and I've outlined a summary of his borrowing below.

loan number	loan amount	agreement date	repayment date	term (months)	monthly repayment
1	£300.00	01/10/2021	23/12/2021	3	£146.58
2	£600.00	04/02/2022	outstanding	6	£187.61

Following Mr P's representative'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 P's credit file and to waive £375.22 of interest due on loan 2. This would close the loan. Mr P'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 the complaint about loan 1 although he did conclude, that given the credit check results perhaps Quidmarket ought to have done further checks before granting it.

But the adjudicator did uphold loan 2. He said the credit check results Quidmarket received showed Mr P would need to use a significant portion of his income to service his existing credit commitments – around £1,326 per month which included the repayment for loan 2. In addition, the adjudicator could see that Mr P had taken 5 new loans within the last 4 months – which also included 3 within the last 6 weeks. This led the adjudicator to conclude that Mr P was overindebted and had a history to taking out and repaying payday loans. So, the loan wasn't sustainable for Mr P.

Quidmarket didn't agree with the outcome, and I've summarised the response below:

- Mr P had a significant level of income.
- There is little difference between loans 1 and 2 in terms of the credit check results – yet loan 2 has been upheld.
- Quidmarket reiterated its offer in the FRL which is still available to Mr P.

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 P 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 P'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 P. These factors include:

- Mr P 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 P 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 P 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 P.

Quidmarket was required to establish whether Mr P 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 P 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 P's complaint. As neither Mr P nor Quidmarket appear to have disagreed with the adjudicator's findings about loan 1. This suggests the loan is no longer in dispute and therefore I will say no more about it. Instead, this decision will focus on whether Quidmarket did all it ought to have done before advancing loan 2.

Loan 2

Quidmarket has shown, that as part of the affordability assessment it asked Mr P for details of his income and expenditure. Mr P's income has been recorded as being £2,986 per month (after tax), Quidmarket says this income was electronically verified.

Mr P also declared his monthly outgoings were £1,641. This left disposal income of around £1,345 per month. However, Quidmarket also carried out a credit search (which I go into more detail below) and having done that it increased Mr P's monthly expenditure to take account of the information it received. Quidmarket believed that Mr P had around £2,225 in expenditure each month. Which left £761 worth of disposable income

Mr P had enough disposable income for Quidmarket to believe Mr P could afford the largest repayment of around £187.61. The loan looked affordable. But as I've said above, Quidmarket also had to consider whether the loan was sustainable for Mr P.

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.

Having reviewed the credit check results, I do agree with the adjudicator that Mr P would need to use a significant portion of his income to service all his credit commitments. The credit check results, also indicated that he was regularly using payday and / or instalments loans. The headline figures do show Mr P had debts of nearly £26,834 and he was utilising around 73% of his available credit. But Mr P had 18 active accounts and he had opened 6 new credit accounts within the last six months.

As part of the affordability check – before this loan was approved, Quidmarket had calculated monthly credit commitments of around £1,138 and I think that was broadly accurate given the open accounts and the payments that Quidmarket could see in the credit report. So, with the loan repayment due to Quidmarket – Mr P was already committing to spending around £1,325 or around 44% of his income solely to service existing debts.

In my view, this was a high enough percentage for QuidMarket to have been concerned that Mr P may have been overindebted and was having some difficulties managing his existing creditors. This is especially so, as Quidmarket was on notice, that in the six months preceding this loan Mr P had opened 6 new credit account – so an average of one per month.

In the six weeks before this loan was approved, I can see that Mr P opened two payday loans with a combined monthly repayment of £314. He had also opened a new credit card – which was almost at its limit. Mr P had also recently opened a longer-term loan – with a term of 24 months which he was required to pay £362 per month towards.

In addition to the recently opened account, Quidmarket was on notice that Mr P had been using other payday loan companies during the time that loan 1 was running as well as after that loan had been settled. Since October 2021 Mr P had settled five such accounts – three of which were settled just over six weeks before this loan was advanced. In my view, Mr P was clearly returning to not just Quidmarket but to other high-cost creditors after these loans had been settled.

To me, this indicates someone in constant need of credit and wasn't using the loans to plug a short-term hole in his finances. It is more likely than not Mr P was having difficulties managing his long-term finances, as he was regularly seeking and then repaying payday loans.

Overall, I do think the credit check results showed details of a customer who had been for at least the last 6 months was likely having problems managing his finances because there appeared to be a constant need for new credit. I do think, there was just too much evidence pointing towards Mr P having current financial difficulties and therefore this loan wasn't likely to be sustainable for him.

I have thought about what Quidmarket says about there being little difference in the credit file between the two loans. But the adjudicator already explained that perhaps before the first

loan further checks ought to have been carried out. And for the reasons I've explained above, I do think by loan 2 there was enough in the credit report – considering Mr P was returning for a larger loan, to be repaid over a longer period and the fact his credit file showed recently opened payday loans as well as several closed loans.

I am therefore upholding Mr P's complaint about loan 2.

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 loan 2 to Mr P, 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 P 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 P 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 P 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 P loan 2.

If Quidmarket have sold the outstanding debt Quidmarket should buy it back if Quidmarket is able to do so and then take the following steps. If Quidmarket is not able to buy the debt back then Quidmarket should liaise with the new debt owner to achieve the results outlined below.

- A. Quidmarket should remove all interest, fees and charges from the balance on any upheld outstanding loans, and treat any repayments made by Mr P as though they had been repayments of the principal on all outstanding loans. If this results in Mr P having made overpayments then Quidmarket should refund these overpayments with 8% simple interest* calculated on the overpayments, from the date the overpayments would have arisen, to the date the complaint is settled. Quidmarket should then refund the amounts calculated in "A" and "B" and move to step "C".
- B. However, if there is still an outstanding balance then Quidmarket should try to agree an affordable repayment plan with Mr P. Quidmarket shouldn't pursue outstanding balances made up of principal Quidmarket have already written-off.
- C. Quidmarket should remove any adverse information recorded on Mr P's credit file in relation to loan 2.

*HM Revenue & Customs requires Quidmarket to deduct tax from this interest. Quidmarket should give Mr P 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 P's complaint in part.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 16 June 2023.

Robert Walker
Ombudsman