

## The complaint

Mr M complains that Stagemount Limited trading as Quid Market (Quid Market) gave him loans he couldn't afford to repay due to the number of outstanding loans and the amount of outstanding debt he had at the time.

## What happened

Mr M took four loans from Quid Market between September 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	£550.00	05/09/2020	24/02/2021	6	£174.39
2	£450.00	19/03/2021	30/06/2021	4	£165.13
3	£500.00	29/07/2021	30/07/2021	5	£184.45
4	£550.00	04/08/2021	11/01/2022	6	£179.08

Following Mr M's complaint, Quid Market issued its final response letter (FRL). In summary, it said it had carried out proportionate checks which showed these loans were affordable. Although, Quid Market 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.

The complaint was considered by an adjudicator who didn't uphold it because she was satisfied Quid Market had carried out proportionate checks before each loan was provided.

Quid Market agreed with the outcome and had nothing further to add.

Mr M disagreed with the adjudicator's findings. In summary he said.

- Quid Market lent to him continuously and there are gaps of less than 30 days between repaying one loan and taking another.
- Mr M was reliant on these loans.
- Quid Market knew he had "*thousands of pounds of debt*".
- At the time Mr M's finances weren't stable.

Mr M also provided screen shots of another case which the Financial Ombudsman had already considered and fully upheld in his favour. In Mr M's view the two complaints are similar enough that should mean this complaint should also be upheld.

As no agreement the complaint has been passed to me for a decision. I then issued a provisional decision outlining why I was intending to uphold Mr M's complaint in full. Both Mr M and Quid Market were asked to provide anything further for consideration as soon as possible, but in any event no later than 20 March 2023.

Mr M emailed to say that he agreed with the outcome which was outlined in the provisional decision.

Quid Market also responded and said it didn't agree with the proposed outcome.

In summary it has said:

- Each loan was repaid in full before any new application.
- The ombudsman has acknowledged that the lending was affordable.
- Based on the credit reference agency Quid Market was aware that Mr M's overall debt decreased from £16,972 at loan 1 to £10,429 by the time of loan 4.
- The ombudsman focused on the number and types of credit Mr M was applying for whereas Quid Market has shown he was able to repay its loans as well as reducing his overall indebtedness.
- Based on the information Quid Market had it was reasonable for these loans to be approved.

I have addressed Quid Market's comments later in this decision.

Here I have duplicated my provisional findings, in smaller type and in italics, as it's easier for the parties to read all together.

### **What I said in my provisional decision**

*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.*

*Quid Market had to assess the lending to check if Mr M could afford to pay back the amount he'd borrowed without undue difficulty. It needed to do this in a way which was proportionate to the circumstances. Quid Market'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 Quid Market 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.*

*Quid Market 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 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 M's complaint.*

## **Loan 1**

*Quid Market has shown, that as part of the affordability assessment it asked Mr M for details of his income and expenditure. Mr M's income has been recorded as being £2,500 per month – this was verified with a copy of his payslip.*

*Mr M also declared his monthly outgoings were £600. This left disposal income of around £1,900 per month. However, following further checks (including a credit search which I comment on below) Quid Market decreased Mr M's monthly disposable income to £550. Even with this smaller disposable income figure there was sufficient disposable income for Quid Market to believe Mr M could afford the largest repayment of around £175. The loan looked affordable.*

*Before this loan was approved Quid Market 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 Quid Market carried out a credit search there isn't a regulatory requirement to do one, let alone one to a specific standard.*

*Therefore, it's possible that the information Quid Market received may not entirely reflect the information Mr M may be able to see in his own credit report. There could be for a number of reasons for this, such as Quid Market only asking for certain pieces of information. But what Quid Market couldn't do, is carry out a credit search and then not react to the to the information it received – if necessary.*

*Quid Market 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 Quid Market to have carried out further checks or possibly have declined Mr M's application.*

*Before reviewing the results, I think there was already an indication that Mr M was overindebted. I say this because in its FRL Quid Market commented that it already knew that he was committed to spending £1,650 of his monthly income (of £2,500) on credit commitments – which is over 50% of his income, before other living costs are considered.*

*I accept that Mr M declared he lived with parents – which could lead to him having to pay less each month on household bills. But a customer spending more than 50% of their income solely on credit commitments, is in some situations, sufficient to uphold the complaint.*

*However, looking more closely at the credit check results provided by Quid Market I can see that Mr M had 20 active credit accounts owing these providers nearly £17,000 and Mr M was utilising 94% of his available credit.*

*Quid Market was also on notice that Mr M had opened three new credit accounts within the last six months. There had also been 16 credit searches within the same timescale, which to me indicates that Mr M was making multiple applications each month for further credit. Finally, Quid Market was on notice that in the last 60 months, Mr M had opened 100 credit accounts albeit 80 of them were now closed.*

*At the time, Mr M had at least 6 unsecured loans provided by what the credit file terms*

*“Finance House”, and he also had one active home credit account and one bank loan. The monthly repayments just to service these loans was £1,363. I also think, its highly likely that some or all of the “Finance House” loans are likely to be either payday loans or other high-cost credit loans. I say this because of the monthly repayment amounts and the fact that the bank loan and the other home credit loans are easily identifiable.*

*On top of this, Mr M also had an active mail order account and 8 credit card accounts – so Mr M’s credit commitments were likely to be significantly higher than £1,363. And all of these credit card accounts were close to or at the set credit limit.*

*In addition, since the turn of the year, Mr M had already been advanced 2 home credit accounts and 5 other unsecured loans – again most likely given the values, these were payday or other high-cost credit loans.*

*In my view, the credit checks along ought to have been enough for Quid Market not to have approved this loan. While I accept the loan looked pounds and pence affordable, as I’ve explained above, Quid Market’s obligation extended beyond that. I consider that Mr M was already significantly overindebted to other payday and high-cost credit loans and had a history of regularly settling such accounts as well before opening new credit facilities.*

*Although there weren’t any obvious repayment problems the sheer volume of these accounts (both active and closed) ought to have made Quid Market realise that Mr M wasn’t able to sustainably make his loan repayments and that there was a very real risk that Mr M would have to borrow again.*

*I am therefore intending to uphold Mr M’s complaint about loan 1.*

## **Loans 2 – 4**

*The capital borrowed for these loans fluctuated but so did the term, which means Mr M’s monthly commitment to Quid Market remained broadly similar. There were between some of the loan’s small breaks or gaps of around a month. However, in my view, those gaps aren’t significant enough to have made Quid Market believe that it could reasonably start a new chain of borrowing.*

*Before these loans were approved the same sort of checks were carried out. Quid Market asked for Mr M’s income and expenditure details and carried out a credit search. For loans 2 and 3 Quid Market also asked Mr M for a copy of his payslip which he provided. This confirmed the validity of his declared income.*

*After taking account of Mr M’s income and expenditure information Quid Market calculated for loan 2 that he had £1,168 of monthly disposable income, £934 for loan 3 and finally £831 for loan 4. Therefore, solely based on the income and expenditure information each of these loan repayments appeared affordable.*

*But as I’ve said before, Quid Market also had to consider whether the loans were likely to be sustainable for Mr M. So, I’ve reviewed the credit reports that were produced for each of these loans to see what it knew about Mr M’s other creditors. I’ve summarised what I consider to be the key information for each loan below.*

### **Loan 2**

- *Mr M had 19 active accounts and was utilising 96% of his available credit.*
- *He had opened 3 new accounts in the previous six months and had 5 searches at the same time. To me an indicator that Mr M was still needing to seek out credit.*
- *Mr M had 7 active credit cards and all of them were near their credit limit – so little had changed since loan 1.*
- *7 other active loans, likely to be a combination of one bank loan and the remainder are likely to be payday or high-cost credit loans.*
- *In the 3 months leading up to this loan being granted Mr M settled 3 payday loans*

and 3 "Finance House" loans.

#### Loan 3

- Mr M had 16 active accounts and was utilising 85% of his available credit.
- He had opened 5 new accounts in the previous six months.
- Mr M had 6 active credit cards and all of them were near their credit limit – so little had changed previous loans.
- 7 other active loans, likely to be a combination of one bank loan and the remainder are likely to be payday or high-cost credit loans.
- In the 3 months leading up to this loan being granted Mr M settled one credit card and 5 "Finance House" loans.

#### Loan 4

- Mr M had 16 active accounts and was utilising 85% of his available credit.
- He had opened 4 new accounts in the previous six months.
- Mr M had 5 active credit cards and most of them were near their credit limit – although it did now appear that Mr M – on at least one card was making some headway into what he owed.
- 8 other active loans, likely to be a combination of the one bank loan and the remainder are likely to be payday or high-cost credit loans. All are labelled "Finance House".
- In the months leading up to this loan being granted Mr M settled one credit card and 4 "Finance House" loans.

*All this information shows that Mr M was still taking out new credit, even when he had settled previous loans. This isn't sustainable as it does suggest that Mr M was needing to take out new loans to fill a hole repaying a previous loan had left in his finances. And Quid Market knew this from the data that it had been provided by the credit reference agency.*

*I acknowledge that overall, Mr M's indebtedness had decreased for each loan and so by loan 4, Mr M owed other creditors just under £10,500 – a reduction of nearly £7,000 from loan 1. But the credit file information showed that Mr M was still regularly seeking out and being granted new credit even though he was repaying other loans. I'm satisfied Quid Market had enough information to suggest its loans weren't sustainable for Mr M as he was likely reliant on this type of borrowing.*

*Therefore, I'm also intending to uphold his complaint about loans 2 – 4 as well so overall Quid Market ought to not have provided any of the loans to Mr M.*

#### **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.

Mr M has accepted the outcome that I reached in the provisional decision and so no new comments, or evidence were provided.

In terms of Quid Market's comments, I do agree and as I outlined in the provisional decision that the loans appeared affordable – on a strict pounds and pence calculation. But as the regulations say, and what I've considered, the loan also has to be sustainable for a borrower as well.

I went onto consider the credit check results it was provided with as part of its affordability assessment. In my view this was entirely reasonable as this was information it had at the

time when it decided to lend to Mr M and because it gave details of Mr M's current credit commitments.

I'd already explained in the provisional decision my thoughts about the drop in Mr M's overall indebtedness from loan 1. And as I said then, as I say now, because I've been provided with nothing else to make me think otherwise, the credit file data Quid Market received indicated that despite Mr M's debts decreasing he was still seeking and being granted new credit. Mr M continued to have, in my view an unsustainable number of other outstanding loans as well as credit card debt.

Indeed, at loan 4, Mr M had more active loans than he had for loans 2 and 3 and in the months leading up to loan 4 the credit report indicates that Mr M had settled a number of loans, before likely taking up new credit.

So, having considered the comments made by Quid Market, while Mr M's overall indebtedness had decreased, I'm satisfied he was still seeking and gaining new credit from other sources during the time he was borrowing from Quid Market. And so, I've reached the same outcome as described in the provisional decision for the same reasons and I've outlined below what Quid Market needs to do to put things right for Mr M.

### **Putting things right**

In deciding what redress Quid Market should fairly pay in this case I've thought about what might have happened had it not lent 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 Quid Market's liability in this case for what I'm satisfied it has done wrong and should put right.

Quid Market shouldn't have given Mr M loans 1 – 4.

- A. Quid Market should add together the total of the repayments made by Mr M towards interest, fees and charges on this loan.
- B. Quid Market 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. Quid Market should pay Mr M the total of "A" plus "B".
- D. Quid Market should remove any adverse information it has recorded on Mr M's credit file in relation to these loans.

\*HM Revenue & Customs requires Quid Market to deduct tax from this interest. Quid Market

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 and in the provisional decision, I'm upholding Mr M's complaint.

Stagemount Limited trading as Quid Market 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 19 April 2023.

Robert Walker  
**Ombudsman**