

The complaint

Miss B, through a representative, complains that Stagemount Limited, trading as Quidmarket, lent to her irresponsibly.

What happened

I've used a lot of information provided by Quidmarket to help me create this loan table. It seems from the records I have that Miss B may have applied for £1,500 for the last loan and Quidmarket only approved £475.

Loan	Approved	Amount	Repayments (rounded figures)	Closed
1	3 February 2016	£300	4 x £121	31 May 2016 On time
2	2 June 2016	£300	4 x £124	3 October 2016 Bit late
GAP				
3	11 December 2017	£300	3 x £141	28 February 2018 on time
4	8 March 2018	£300	5 x £104	31 July 2018 on time
5	7 August 2018	£300	6 x £96	23 November 2018 early
6	25 November 2018	£500	6 x £167	1 March 2019 early
7	7 March 2019	£450	6 x £143	30 August 2019
8	2 September 2019	£800	6 x £261	24 October 2019 early
9	13 November 2019	£1,000	6 x £304	20 December 2019 early
10	25 January 2020	£500	5 x £186	17 March 2020
11	23 April 2020	£300	6 x £100	1 September 2020 early
12	20 October 2020	£1,500	12 x £250	4 December 2020 early
13	14 December 2020	£1,500	12 x £231	2 June 2021
14	16 July 2021	£600	5 x £198	2 December 2021 bit late

15	5 January 2022	£500	6 x £161	22 April 2022 early
16	28 April 2022	£475 Applied for £1,500	6 x £158	Due 31 Oct 2022 – not paid

Miss B's complaint email sent by her representative to Quidmarket states that Miss B used her own words to say:

*'I already had multiple other loans at the time I applied for this loan
- My overall debt amount had increased since I was given my first loan but they still lent me more money
- I regularly missed my monthly repayments'*

Quidmarket responded with its final response letter (FRL) on 2 September 2022 in which it gave detailed reasons why it considered it had done all the correct checks before lending. So, it did not uphold her complaint but it made an offer to refund and/or remove interest on the last loan which remained outstanding at the point of writing its FRL and to remove all the Quidmarket loans from her credit file.

Miss B, through her representative, rejected the offer as she referred her complaint to the Financial Ombudsman. But Quidmarket has told us that offer remains available for Miss B.

Miss B has told us recently that loan 16 remains unpaid.

One of our adjudicators looked at the complaint and has split the lending into two loan chains – loans 1 and 2 and then loans 3 to 16. The reason was due to the long gap in the lending relationship after loan 2 which led our adjudicator to consider that the loan 3 application could be counted as the start of a new lending relationship. I agree with this. Our adjudicator did not uphold the complaint for loans 1 and 2.

On the second loan chain he did think that by the fourth loan sold on 25 November 2018, Miss B's overall pattern of borrowing suggested she had become persistently reliant on short-term loans, because:

- Miss B had taken four loans in roughly 7 months
- The amounts she was borrowing fluctuated over this period and for the rest of the borrowing relationship with Quidmarket
- Miss B paid off some loans early and was repeatedly coming back for new loans soon after paying off the previous loans.

Our adjudicator's view needs a correction as the loan sold on 25 November 2018 was loan 6 (not loan 4). His view was that the pattern of lending itself shows that the loans from loan 6 (fourth loan in that second chain) onwards were unsustainable – so Quidmarket ought not to have lent to Miss B from loan 6.

Miss B agreed. From that I take it she's content with the outcome for the loans our adjudicator did not uphold – which were those up to the one sold on 25 November 2018 which was loan 6. Meaning that the outcome was a non-uphold for loans 1 to 5. So, I have not reviewed those.

Quidmarket did not agree and so the loans which remained contentious were loans 6 to loan 16. Quidmarket sent submissions to further explain why it considered that the lending decisions had been appropriate. It said (my summaries):

- the loans were not 'sold' to her - Miss B applied for them using its website
- each loan had to be paid in full before another application can be considered
- Miss B had hire purchase (HP) agreements.
- Miss B's '*...other unsecured debt always reduced whilst she was repaying the loans she applied for with our firm. This evidences that the loans she applied for were sustainably affordable – she was able to repay her loans and reduce her other unsecured debt from her normal monthly budget.*'
- it reviewed bank account statements on three loan applications which it says gave no evidence of financial difficulties.

Quidmarket asked us to revisit our opinion.

The unresolved complaint was passed to me to decide. I issued a provisional decision on 17 July 2023 giving reasons why I planned to uphold the complaint in relation to loans 15 and 16 only.

Miss B has responded to say she accepts that proposed resolution. Quidmarket has not replied.

What follows is a duplicate of my provisional decision in smaller print to differentiate it but to make it easier to read by having it incorporated into this – the final determination.

My provisional decision dated 17 July 2023

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 Miss B could afford to pay back the amounts she'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 Miss B'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 Miss B. These factors include:

- Miss B 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);
- Miss B 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);
- Miss B 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 Miss B. The adjudicator thought this point was reached by the time loan 6 was granted.

Quidmarket was required to establish whether Miss B could sustainably repay the loans – not just whether she technically had enough money to make her repayments. Having

enough money to make the repayments could of course be an indicator that Miss B was able to repay her loans 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 Miss B's complaint.

Having reviewed all the information I have, I make these general observations. Miss B had a profession which by its nature meant that she had multiple and varied addresses. Miss B did apply for the loans on-line and declared broadly the correct income figures – these ranged from £1,596 a month in June 2016 (loan 2) to £2,000 a month for loan 6 in November 2018, and various figures in between for the other loans, usually around £1,800 a month.

Quidmarket has told me that it verified them electronically or through seeing her payslips. I've not seen copies of those but this part of the factual element of the complaint (Miss B's income) does not seem in contention.

Miss B was asked to fill in her expenditure information and Quidmarket has explained how it approaches loan applications, including the recalculation of an applicant's net disposable income – where necessary - having obtained and reviewed credit searches for each one. The table it used to demonstrate Miss B's net disposable income is set out in its FRL and I refer both parties to it rather than duplicate it all here.

I have reviewed each loan application, each set of credit search results and all the details sent to me. I do not agree with our adjudicator's view that there was a reliance on the credit demonstrated by Miss B's repeat applications and repeat lending. And I say that because there are gaps (some large and some small) which suggest that she was not reliant on the Quidmarket credit. For example, between loans 9 and 10, then 10 and 11, then 13 and 14, then 14 and 15 there were one month gaps which does not suggest reliance to me.

And further, Quidmarket had the credit search results to augment her applications with clear details of the level of her indebtedness. And most of the time Miss B had hardly any debt at all. For a while it seemed that Miss B did not even have a bank account.

For example, at the beginning of the second loan chain in December 2017 (loan 3) Miss B had one HP agreement, a current account which had closed as a 'delinquent account' in April 2017 and a telecommunications contract and not much else.

Looking at the very first set of credit search results which covered a period further back, then I've seen that Miss B appeared to have had a difficult time financially in or around 2011 and 2012 as several accounts had closed after being in default. But they were several years before loan 1 and many years before loan 3 was applied for. But from December 2017 each of the credit search results provided to me by Quidmarket show that it saw very little outstanding debt for Miss B. Another example is that in September 2019 Miss B applied for a new credit card with a modest limit of only £500. She had one HP agreement to service. There were no adverse entries.

For loan 9 Miss B seemed to have a new current account which had started in October 2019. Miss B had taken a Credit Union loan for over £7,000 on 1 March 2019 but had paid it all off in September 2019 with a £5,000 lump sum repayment.

At loan 10 the overall debt shown in the credit search was very low and at loan 11 her outstanding debt was only £694.

I've considered whether Quidmarket ought to have carried out any additional checks when

Miss B applied for a larger loan - £1,500 – in October 2020 but as the repayment history had been very good for all the previous loans and as the credit search it carried out showed hardly any accounts and only that she'd started a new HP account in August 2020, then I doubt that Quidmarket would have been prompted to ask for anything further. And I'd not consider that unreasonable. The same for loan 13 which was also for £1,500 but as Miss B had repaid loan 12 in just two months rather than 12 months then again, I doubt that Quidmarket would have had cause to be concerned.

Quidmarket has given us information about the later loans which, after many years of lending to Miss B, do raise with me some concerns. Quidmarket has told us that Loan 14 was repaid with a reduced payment plan of £100 a month from 30 September 2021. And on loan 16 Quidmarket agreed a reduced payment plan of £100 on 1 September 2022. The table in the FRL showing the Quidmarket calculated disposable income did leave Ms B with little over after having repaid some of the Quidmarket loans.

For example – looking at the last loan first – for Loan 16 after Quidmarket had done its recalculations of her likely disposable income using what Ms B had declared and what Quidmarket had factored in as the likely credit and other expenditure sums, then she had £270 a month disposable income out of which she was due to repay £159. Quidmarket has marked this as 59% of her net disposable income. This is too high a percentage and would have left her with very little.

For loan 15 – much the same and the outcome was £359 net disposable income and her repayments for loan 15 were scheduled to be £161 – 45% which again I consider to have been too high a percentage of her net disposable income.

And these two loan applications followed the repayment plan Miss B had been in for loan 14. So, overall, I consider that Quidmarket lent to Miss B responsibly for most of the loans based on the information she had given it and augmented by its own research on her credit file history.

But I plan to uphold loans 15 and 16 for the reasons I've given above. I also note (from the headline information on the credit search result done in April 2022) that Miss B applied for £1,500 at loan 16 but Quidmarket only saw fit to lend her £475. That suggests that Quidmarket may have had doubts about the affordability then.

Returning to the original complaint details given by Miss B which were: *'I already had multiple other loans at the time I applied for this loan - My overall debt amount had increased since I was given my first loan but they still lent me more money - I regularly missed my monthly repayments'*. My finding is that these complaint points are not made out.

But I do think that loans 15 and 16 would have left Miss B with too little disposable income each month for them to have been sustainable.

Quidmarket's offer.

Quidmarket was offering to remove these loans from Miss B's credit file and waive the contractual interest of £474.92 from her outstanding loan (16), which would leave the remaining principal balance of £316.00 payable. It will be a matter for Miss B as to whether she chooses to accept this as I understand it is still open to her. But if she does we would treat this complaint as withdrawn.

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.

The reply date was to hear from the parties by 31 July 2023 and in the interests of resolution I have decided that it's reasonable to issue the final determination today.

As Miss B has agreed with the provisional decision and as Quidmarket has sent me nothing further with which to consider its defence of the complaint then I see no reason to depart from my earlier findings. Those provisional decision findings are repeated here and form part of the final decision.

For the reasons given I uphold Miss B's complaint about loans 15 and 16.

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 15 and 16 to Miss B, 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 Miss B 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 Miss B 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 Miss B 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 Miss B loans 15 and 16. Loan 16 remains outstanding. I do not get the impression that it has sold this loan as it was making an offer to remove the outstanding interest on it and so I consider that the debt is still owned by it.

A) Quidmarket should add together the total of the repayments made by Miss B towards interest, fees and charges on all upheld loans without an outstanding balance, not including anything it has already refunded. Here that will be loan 15.

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

C) Quidmarket should remove all interest, fees and charges from the balance on any upheld outstanding loans, and treat any repayments made by Miss B as though they had been repayments of the principal on all outstanding loans. Here that will mean loan 16.

If this results in Miss B 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 "E".

D) If there is still an outstanding balance then the amounts calculated in "A" and "B" should be used to repay any balance remaining on outstanding loans. If this results in a surplus then the surplus should be paid to Miss B. However, if there is still an outstanding balance then Quidmarket should try to agree an affordable repayment plan with Miss B.

E) Quidmarket should remove any adverse information recorded on Miss B's credit file in relation to loans 15 and 16.

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

My final decision

My final decision is that I uphold loans 15 and 16 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 Miss B to accept or reject my decision before 29 August 2023.

Rachael Williams
Ombudsman