

The complaint

Ms D, through her representative, complains that Stagemount Limited, trading as Quidmarket, lent to her irresponsibly.

What happened

Ms D was approved for two loans by Quidmarket and repaid them in line with the agreements. The loan table is a summary of her borrowing.

	Date taken	Loan amount	Term	Instalment amount	Date settled	Total repaid
1	06/07/2020	£300	4	£115.76	23/10/2020	£463.04
2	04/11/2020	£400	6	£123.95	23/04/2021	£743.70

Ms D's representative complained on her behalf, and Stagemount responded on 29 July 2022. In its final response letter (FRL) it explained all it had done in reviewing Ms D's applications, including obtaining credit searches, and gave reasons why it did not consider it needed to uphold her complaint. As a goodwill gesture it offered to remove the two loans from her credit file.

Ms D's representative referred the complaint to the Financial Ombudsman Service. One of our adjudicators considered it all and did not think that Stagemount should have lent to Ms D at all. It objected and submitted its reasons why – all of which I have reviewed. The unresolved complaint was passed to me to decide.

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 Ms D 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 considered several different things, such as how much was being lent, the size of the repayments, and Ms D'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 Ms D. These factors include:

- Ms D 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);
- Ms D 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);
- Ms D 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 Ms D.

Quidmarket was required to establish whether Ms D 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 Ms D 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 Ms D's complaint.

Ms D declared an income of around £1,500 a month for each of the loan applications. She declared outgoings which included credit commitments and expenses and these were increased by Quidmarket as part of its affordability assessment. Still the expenditure figures were less than the income figure and so in relation to 'pounds and pence' calculations the loans looked affordable.

The facts were – on Quidmarket's own analysis – that Ms D had one credit card in default and had not made a payment on it for two years, a current account for which she was in an arrangement to pay and another credit card which had a status of 'delinquent'. Plus, she had several other credit cards with outstanding amounts on them. She had a mortgage. Ms D was paying for an unsecured loan at £109 a month already.

The deciding factor in this complaint seems to turn on the credit searches Quidmarket carried out, the information it had at the time it approved each loan and whether all the information taken together meant it ought not to have approved the loans.

I'm aware that these loans were for Ms D who was a new customer and I'm aware that the loan values were relatively low. But these are high cost credit loans and would have had an impact on Ms D's monthly commitments for 4 and 6 months respectively for loans 1 and 2.

Having reviewed it all I have decided to uphold the complaint. I have considered both sets of submissions very carefully before coming to this decision. And I explain here.

In relation to one of the defaulted accounts – a credit card – Quidmarket said to us after receiving the adjudicator's view:

'...but from the facts presented by the CRA file it was reasonable for us to presume that she would continue not making payments to this card.'

So, this part of Quidmarket's submissions is predicated on it knowing of a significant outstanding (albeit historic) debt and stating that it was reasonable to proceed on the basis that Ms D would not be paying this down. I am not persuaded by that line of argument. And it does demonstrate to me that Quidmarket was very aware of it at the time.

And I am persuaded that our adjudicator's calculations of the minimum repayments for the outstanding credit card debts (around £8,700 on each occasion) would have meant that Ms D was committed to a further £437 a month to cover those off. This plus the mortgage cost of £546 each month (which was not a joint account) together with an outstanding loan account and one delinquent credit card all leads me to conclude that Ms D did not need the burden of additional debt.

I've thought about Quidmarket's submission that Ms D was in a household and therefore it considered it could reasonably assume that the other householder would contribute towards the costs and absorb some of the expenses of the household. But there is no evidence that Quidmarket knew of this or, if it did proceed on this basis, that it had checked this before doing so.

Looking at the FCA Consumer Credit Sourcebook – CONC- then part of rule 5.2A.12 R says:

'The firm must consider the customer's ability to make repayments under the agreement: ... (2) out of, or using, one or more of the following:

- (a) the customer's income;*
- (b) income from savings or assets jointly held by the customer with another person, income received by the customer jointly with another person or income received by another person in so far as it is reasonable to expect such income to be available to the customer to make repayments under the agreement; and/or*
- (c) savings or other assets where the customer has indicated clearly an intention to repay (wholly or partly) using them; ...'*

The credit search shows that the mortgage was not a joint account. And there's no evidence to show me that Ms D's partner contributed to it and I'd not expect her partner to pay for her credit card bills or the other loans taken out in her name. So, I'd not expect Quidmarket to have assumed that either.

I uphold the complaint.

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 to Ms D at all, 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 Ms D 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 Ms D 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 Ms D 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.

To put things right for Ms D, I direct that Quidmarket should:

- refund all the interest and charges applied as a result of loans 1 and 2; and
- add interest at 8% per year simple interest* on the above refunded sums from the date they were paid, if they were, to the date of settlement;
- remove any adverse payment information recorded on Ms D's credit file.

*HM Revenue & Customs requires Quidmarket to take off tax from this interest. It must give Ms D a certificate showing how much tax it's taken off if she asks for one.

My final decision

My final decision is that I uphold the complaint. 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 Ms D to accept or reject my decision before 15 August 2023.

Rachael Williams
Ombudsman