DRN-4308556

The complaint

Mr R complained through a representative that Stagemount Limited trading as Quidmarket ("Quidmarket") gave him loans without carrying out sufficient affordability checks.

What happened

A summary of Mr R's borrowing can be found in the table below.

loan number	loan amount	date loan was funded	repayment date	term (months)	monthly repayment
1	£500.00	02/09/2020	22/02/2021	6	£154.96
2	£1,500.00	06/03/2021	Outstanding	6	£447.65

Following Mr R's complaint, Quidmarket issued its response. It said it had carried out proportionate checks which showed these loans were affordable. Although, Quidmarket didn't uphold the complaint, it did say:

> *"However, and as a gesture of goodwill, I am offering to waive the contractual interest of £582.69 from their outstanding loan. Should they accept my offer this will leave the customer with nothing outstanding to pay and close the loan. Upon agreement to this resolution, I will also arrange to have the loans removed for your clients credit file."*

Mr R's representative didn't agree and instead referred the complaint to the Financial Ombudsman.

The complaint was considered by an investigator who didn't uphold it. He didn't think Quidmarket had made an error when the loans were provided because it had carried out proportionate checks.

Mr R's representative didn't agree, saying in summary:

- The credit report Quidmarket saw showed that Mr R was dependant on credit and had multiple delinquent and defaulted accounts which meant Mr R was likely in financial distress at the time.
- A list of outstanding creditors was provided which showed that that on at least two accounts he had payment arrangements with creditors in July 2019 as well as August, September and October 2020.
- Mr R was using a significant amount of his income each month on gambling.
- In the month before loan 1 Mr R paid other creditors around £700 and then £1,270 in the month before loan 2 was granted.
- The bank statements also showed returned and unpaid direct debits indicating financial difficulties.

The investigator let Mr R's representative know why its points hadn't changed his mind about the outcome he'd reached. As no agreement could be reached the case has been 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 this lending - including all the relevant rules, guidance and good industry practice - on our website.

Quidmarket had to assess the lending to check if Mr R 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 R'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 R. These factors include:

- Mr R 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 R 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 R 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 R. The adjudicator didn't consider this applied to Mr R's complaint, and I agree as there are only two loans.

Quidmarket was required to establish whether Mr R 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 R was able to repay his loan sustainably. But it doesn't automatically follow that this is the case.

I've considered all the arguments, evidence and information provided in this context, and thought about what this means for Mr R's complaint.

For each loan Quidmarket carried out the same sort of checks. Quidmarket has shown that as part of the affordability assessment it asked Mr R for details of his income and expenditure. Mr R declared his income to be £1,850 per month for loan one and £1,950 per month for loan two. Quidmarket says it electronically verified Mr R's income for loan one, and it then received a copy of Mr R's wage slip when loan two was advanced. Given the information it received from Mr R and his wage slip I do think it was proportionate for Quidmarket to have relied on the income figures given above for the affordability assessment.

Mr R also asked to declare his monthly outgoings for things such as rent, utilities and existing credit commitments. For loan one these costs came to £225. And for loan two they were £175.

However, following a credit check before each loan Quidmarket made adjustments to Mr R's living costs increasing them for each loan. For the affordability assessment it used monthly outgoings of £332 for loan one and £510 for loan two. Even with this larger monthly income figure there was sufficient disposable income for Quidmarket to believe Mr R could potentially afford the largest planned repayment of around £448 per month. The loans looked affordable.

Before loan 2 was advanced, it looks like Mr R provided some screen shots to Quidmarket from his online banking. Quidmarket says this was done to "*support their application*…". I don't think Quidmarket needed to have verified the information at this point in the lending relationship but as Quidmarket received some information from Mr R than its only reasonable that it considered what it was provided.

Having looked at the limited information the bank statements contained I don't think there was enough in there to show Quidmarket that loan two was either unaffordable or unsustainable.

Before the loans were approved 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 for each loan. I want to add that although Quidmarket carried out credit searches there wasn'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 information it received – if necessary.

Quidmarket was also entitled to rely on the information it was given by the credit reference agency. This does mean the information Quidmarket may receive could be different to what Mr R can now see in the credit report he is able to download. 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 R's application.

Having reviewed the credit checks for loan 1 I can see that Mr R had around £3,300 of total debt spread across 9 accounts. He had also only opened one account in the last six months – which isn't a sign that someone is dependent on this type of credit. In addition, I can see that Quidmarket was aware Mr R had two other loans outstanding costing around £258 per month to service along with three credit cards owing around £1,300.

I do accept that there were three accounts marked as being in default from 2016 and 2017. But in my view, these defaults were recorded too long before this loan – that is more than three years before this lending - to have given Quidmarket cause for concern or that could be used as evidence of wider financial difficulties. Moreover, in the marketplace that Quidmarket operates in, it is unlikely that all applicants will have a perfect credit score or file. So, the sight of three defaults wouldn't in my mind have prompted further checks.

So, while I accept that Mr R's representative has found in Mr R's credit file that the month before loan 1 was granted he paid over £700 to creditors that information wasn't reflected in what Quidmarket was given and so I can't reasonably expect Quidmarket to have known this when it carried out a proportionate check and could rely on the information it was given.

I've looked at loan two credit checks as well. Those results don't indicate a dependency on payday or instalment loans. Quidmarket was informed that Mr R hadn't opened any new accounts with the last six months, he owed roughly the same amount of money to his other creditors and he now had 10 active accounts. There were also no new defaults so I don't agree with Mr R's representative that one new credit account was a sign that he was dependent on these loans.

It once again knew that Mr R had two credit cards outstanding, owing around £900 and two loans costing just over £200 per month. There was adverse payment information reported on the credit file from other creditors around October 2019 – but these arrears had either been corrected and / or the accounts closed. Which to me would suggest that Mr R had some temporary repayment problems which he was then able to correct. In my view, that wouldn't have been enough, for a second loan to have prompted Quidmarket to carry out further checks.

So, while Mr R's representative has provided information around Mr R's gambling, this also wasn't reflected in either the information he gave Quidmarket nor the information that it received from the credit reference agency. Given that, while I'm sorry to hear about this situation, Quidmarket didn't and couldn't have known about it and therefore have taken into account when assessing Mr R's affordability.

I'm satisfied that Quidmarket carried out proportionate checks which showed it the loans were potentially affordable and I don't yet think it had reached the stage where it needed to verify the information (beyond what it did) had been provided or have prompted it to conclude the lending was unsustainable for Mr R.

I'm therefore not upholding Mr R's complaint about these loans.

Quidmarket has already made an offer, as outlined in the final response letter, which it says is still available. Mr R should contact Quidmarket directly if he now wishes to accept this.

My final decision

For the reasons I've explained, I'm not upholding Mr R's complaint and I don't think Stagemount Limited trading as Quidmarket needs to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 16 February 2024.

Robert Walker
Ombudsman