DRN-4338776

The complaint

Mr P complains through a representative that Stagemount Limited trading as Quid Market ("Quid Market") gave him loans he couldn't afford to repay.

What happened

Mr P took 10 loans from Quid Market and I've outlined a summary of his borrowing below.

loan number	loan amount	agreement date	repayment date	repayment period	highest repayment per loan
1	£225.00	09/09/2013	30/09/2013	21 days	£289.13
2	£275.00	30/09/2013	31/10/2013	31 days	£367.81
3	£225.00	31/10/2013	29/11/2013	29 days	£295.34
gap in lending					
4	£300.00	07/11/2019	28/02/2020	4 months	£119.37
5	£300.00	06/03/2019	28/08/2020	6 months	£94.30
6	£400.00	13/09/2020	31/12/2020	4 months	£151.89
7	£400.00	14/01/2021	31/03/2021	3 months	£181.86
8	£400.00	18/05/2021	30/09/2021	5 months	£128.17
9	£450.00	02/10/2021	28/02/2022	5 months	£160.56
10	£400.00	16/08/2022	outstanding	4 months	£150.64

Following Mr P's representatives' complaint, Quid Market issued its final response letter (FRL) and it didn't uphold his complaint. Although, Quid Market didn't uphold the complaint, as a gesture of goodwill but in full and final settlement of the complaint, it offered to remove these loans from Mr P's credit file. It also offered to waive the outstanding interest of £202.56 from the outstanding balance. If Mr P had accepted this offer, it would have reduced his outstanding balance to £249.

The offer wasn't accepted and instead the complaint was referred to the Financial Ombudsman. The complaint was then considered by an adjudicator who didn't think Quid Market had done anything wrong when loans 1, 2, 4, 5, 6 and 7 were granted. And so these loans weren't upheld.

In the adjudicator's view Quid Market ought to have done some further checks before granting loans 3 and 8. However, as neither Mr P nor his representatives had provided any details of Mr P's finances at the time these loans were granted, she also wasn't able to say Quid Market was wrong to have provided them. These two loans were also not upheld.

In relation to loans 9 and 10 she thought the lending had now become harmful for Mr P and so, she upheld these loans.

Quid Market responded and didn't agree with the adjudicator's findings. In summary it said:

- Since 2015 Quid Market has only offered 3-to-6-month instalment loans.

- Each loan application is subject to a credit search and manual underwriting.
- Although loans 9 and 10 have been upheld for being "persistently reliant" on the loans this isn't a reason to uphold loans because Mr P was able to choose whether to take out further loans.
- There was a break in lending between Mr P repaying loan 9 and taking loan 10.
- The capital borrowed for loan 9 was only £50 more than some previous loans.
- Mr P's income had increased by £200 between loans 8 and 9.

As no agreement could be reached the complaint was passed to me for a decision. I then issued my provisional decision explaining the reasons why I was intending to uphold loans nine and 10 but for different reasons then the ones reached by the adjudicator.

Both parties were asked to provide any further comments or evidence as soon as possible, but in any event, no later than 7 September 2023.

Neither Quid Market nor Mr P – or his representative responded or acknowledged the findings in the provisional decision.

As the deadline for a response has now passed, I see no reason to delay the issuing of this final decision and a copy of the provisional finding follows this in smaller font and forms part of this final decision.

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 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. 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 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 Quid Market 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. The adjudicator thought this point was reached by the time loan 9 was granted.

Quid Market 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.

Neither Quid Market nor Mr P seem to have disagreed with the adjudicator's decision to firstly not uphold loans 1, 2, 4, 5, 6 or 7. Neither does there appear to be any dispute that further checks may have been needed before loan 3 and 8 were granted. But the effect of not having any relevant information means those two loans have also not been upheld. It therefore seems these loans are no longer in dispute and so I say no more about them.

Instead, this decision will focus on whether Quid Market did all it ought to have done before advancing loans 9 and 10.

Loan 9

Before this loan Quid Market made enquire with Mr P about his income and expenditure and it also carried out a credit check. While I acknowledge that Mr P had declared an increase in salary by the time this loan was approved, that alone wouldn't and shouldn't have led Quid Market to conclude that this loan was automatically sustainable for Mr P.

Indeed, considering the loan history including the time in debt, at the very least for this loan Quid Market ought to have verified the information Mr P had provided. But in addition to establishing whether the loan was affordable, Quid Market also had to consider whether the loan was sustainable, and that is what I've done.

I've also looked at the overall pattern of Quid Market's lending history with Mr P, with a view to seeing if there was a point at which Quid Market should reasonably have seen that further lending was unsustainable, or otherwise harmful. And so Quid Market should have realised that it shouldn't have provided any further loans.

Given the particular circumstances of Mr P's case, I think that this point was reached by loan 9. I say this because:

- *At this point Quid Market ought to have realised Mr P was not managing to repay his loans sustainably. Mr P had taken out his six loans in 33 months. So, Quid Market ought to have realised it was more likely than not Mr P was having to borrow further to cover a long-term short fall in his living costs.*
- *From his first loan, Mr P was generally provided with a new loan shortly after the previous loan had been repaid, for example, before loan 9 there was only a gap of two days. To me, at times, the quick up take in borrowing was a sign that Mr P was using these loans to fill a long-term gap in his income rather than as a short-term need.*
- *Mr P's first loan in the chain was for £300 and loan 9 was for 50% more. At this point Quid Market ought to have known that Mr P was not likely borrowing to meet a temporary shortfall in his income but to meet an ongoing need.*
- *Mr P wasn't making any real inroads to the amount he owed Quid Market. Loan 9 was taken out 33 months after Mr P's first loan (the first in a new chain) and was to be repaid over a similar term as the previous loans. This loan also had the second highest monthly repayments in this chain. Mr P had paid large amounts of interest to, in effect, service a debt to Quid Market over an extended period.*

My provisional decision is that I think that Mr P lost out when Quid Market provided loan 9 because:

- *the loan had the effect of unfairly prolonging Mr P's indebtedness by allowing him to take expensive credit intended for short-term use over an extended period of time*
- *the number of loans and the length of time over which Mr P borrowed was likely to have had negative implications on Mr P's ability to access mainstream credit and so kept him in the market for these high-cost loans.*

Loan 10

Quid Market is quite right to point out that there is over a five-month gap after Mr P repaid loan 9 before he returned to apply for loan 10. I've thought carefully about this gap in the context of this complaint and how Quid Market ought to have reacted.

Firstly, I don't think this gap was large enough for Quid Market to have concluded that loan 10 was the start of a fresh lending chain. I say this with consideration of the time Mr P had previously spent in debt, the amount of his previous loans and the term that the loan was due to be repaid over. So, this loan does fit within the same lending chain as loans 4 – 9.

Secondly, and importantly for this case, I do think the gap in lending is a sign that potentially the lending was no longer inherently harmful for Mr P. That means, I can't agree with the adjudicator that this loan ought to be upheld purely because of the pattern of use. Instead, I think Quid Market ought to have carefully considered the information it was provided with from Mr P as part of its affordability assessment.

For this loan Quid Market would've asked Mr P about his income and expenditure details – unfortunately the document provided by Quid Market doesn't contain any information and so I don't know exactly what Mr P declared to it. But the FRL says that Mr P declared a similar income for this loan as he did for loan 9 - £1,950 per month. Quid Market says that for this loan a copy of his wage slip was provided by Mr P.

He also declared outgoings of £1,300 – which left £650 per month in disposable income to afford the repayment of £150.64. So, the loan would've looked affordable.

A credit search was also carried out and Quid Market has provided a copy of the results that it received from the credit reference agency. So, I've looked at these to see if there was anything contained within it that ought to have either led Quid Market to have conducted further checks and / or declined the application for the loan.

The results showed that Mr P had 10 active accounts when this loan was approved, he had opened two accounts within the previous six months. It also knew Mr P owed other creditors just over £4,600. So superficially, there wasn't anything that demonstrated Mr P was reliant on this sort of borrowing.

But it did know that Mr P was significantly over his credit limit(s) on revolving credit budget accounts. He owed £2,796 against total credit limits of £2,093. And importantly, Quid Market knew from the credit check results for loan 9 that Mr P had been over his credit limit for revolving as well. What this does mean, is that for over a year Quid Market knew he had been over his credit limit. Clearly, in my view, this was an indicator that Mr P was struggling to keep on top of his existing credit commitments.

It also knew that Mr P had defaulted on one account within the last year and had another account enter delinquency in that time. Indeed, the default appears to have been applied in March 2022, and was for a "Finance House" loan. But given the term and monthly repayment this was likely either an instalment loan or a home credit loan. So, a similar product to the one Quid Market was now advancing to Mr P.

In terms of the delinquent account, Quid Market was told that in the last six months, one credit card account had entered delinquency on two separate occasions. The most recent being in July 2022. So, the month before the loan was approved. Mr P had demonstrated *that he was – close to when this loan was approved - having problems keeping on top of his finances.*

Finally, Mr P's credit file, showed that he was a regular user of payday loans, he had settled five such loans since January 2022, with the most recently being settled only two weeks before loan 10 was granted. What this does mean, is that during the gap between loans 9 and 10 Mr P had continued to take payday / instalment loans from other providers. Which meant Quid Market was aware, although Mr P wasn't borrowing from its company, that he still had a need for such loans as he was taking them from elsewhere. Therefore, I still don't think loan 10 was sustainable for Mr P.

Taking account of the total lending history and the information contained within the credit report I am intending to uphold Mr P's complaint about loan 10 – but for different reasons then the one reached by the adjudicator.

Finally, while I accept this was made as a gesture of goodwill, Quid Market, in the FRL made an offer for this loan which is in line with what I am proposing it does to put things right.

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.

As neither party has provided anything new for my consideration, I see no reason to depart from the findings I reached in the provisional decision. I still don't think loans nine and 10 ought to have been granted for the reasons I have previously outlined in the provisional decision and what is set out above.

I've outlined below what Quid Market needs to do in order to put things right for Mr P.

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 loans 9 and 10 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, he 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 he 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 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 P loans 9 and 10.

If Quid Market has sold the outstanding debt it should buy it back if it is able to do so and then take the following steps. If Quid Market isn't able to buy the debt back, then it should liaise with the new debt owner to achieve the results outlined below.

A. Quid Market should add together the total of the repayments made by Mr P towards interest, fees and charges on loan 9.
B. Quid Market should calculate 8% simple interest* on the individual payments made by Mr P which were considered as part of "A", calculated from the date Mr P originally made the payments, to the date the complaint is settled.
C. Quid Market should remove all interest, fees and charges from the balance on loan 10, and treat any repayments made by Mr P as though they had been repayments of the principal on this loan. If this results in Mr P having made overpayments then Quid Market 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. Quid Market should then refund the amounts calculated in "A" and "B" and move to step "E".
D. If there is still an outstanding balance due for loan 10 then the amounts calculated in "A" and "B" should be used to repay any balance remaining. If this results in a surplus, then the surplus should be paid to Mr P. However, if there is still an outstanding balance then Quid Market should try to agree an affordable repayment plan with Mr P.
E. The overall pattern of Mr P's borrowing for loans 9 means any information recorded about it is adverse, so Quid Market should remove the loan entirely from Mr P's credit file. Quid Market should also remove any adverse information recorded on Mr P's credit file in relation to loan 10.

*HM Revenue & Customs requires Quid Market to deduct tax from this interest. Quid Market 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 and in the provisional decision, I'm upholding Mr P's complaint in part.

Stagemount Limited trading as Quid Market 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 6 October 2023.

Robert Walker
Ombudsman