DRN-4645644

The complaint

Miss K complains that Stagemount Limited trading as Quid Market ("Quid Market") gave her loans which were unaffordable.

What happened

A summary of Miss K's borrowing can be found in the table below;

loan number	loan amount	date loan was funded	repayment date	term (months)	monthly repayment
1	£300.00	06/10/2019	28/01/2020	5	£99.80
2	£350.00	09/04/2020	28/04/2020	6	£107.21
3	£300.00	03/06/2020	25/06/2020	4	£120.59

In Quid Market's response 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 Miss K's credit file.

Miss K didn't agree and instead referred the complaint to the Financial Ombudsman where her complaint was considered by an investigator. The investigator didn't uphold the complaint because she thought the checks Quid Market carried out showed these loans were likely affordable.

Miss K didn't agree and after being sent the credit checks results Quid Market received she said that in summary;

- She had other loans, an overdraft and credit card debt.
- Miss K had been at her overdraft limit for a number of months.
- Her sole mortgage payments were more than what Quid Market used for its entire assessment.
- All these factors ought to have led to Quid Market carrying out further checks.

As no agreement was reached the case was passed to me to decide. I then issued a provisional decision explaining the reasons why I was intending to fully uphold Miss K's complaint.

Both parties were asked for any further submissions but these needed to have been received no later than 27 February 2024.

Miss K accepted the provisional decision, and she didn't provide any new submissions. We didn't hear from Quid Market.

A copy of the provisional findings follows this in smaller and form 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 this lending - including all the relevant rules, guidance and good industry practice - on our website.

Quid Market had to assess the lending to check if Miss K 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. 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 Miss K'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 Miss K. These factors include:

- *Miss K 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 K 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 K 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 K. The investigator didn't consider this applied to Miss K's complaint, and I agree as only three loans were given for similar capital sums.

Quid Market was required to establish whether Miss K 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 K was able to repay her 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 Miss K's complaint.

Loan 1

Quid Market has shown that as part of the affordability assessment it asked Miss K for details of her income and expenditure. Miss K declared her income to be £2,000 per month. Quid Market says it electronically verified this.

Miss K also declared her monthly outgoings were £780. This left disposable income of around £1,220 per month. However, following a credit check Quid Market believed Miss K's outgoings were more likely to be around £1,195 per month. However, even with this larger monthly expenditure figure Miss K still had sufficient funds to afford her loan.

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 wasn't a regulatory requirement to do one, let alone one to a specific standard. But what Quid Market couldn't do, is carry out a credit search and then not react to the information it received – if necessary.

Having looked at the credit results, there were indications that Miss K was having problems managing her existing credit commitments and was stuck in a cycle of borrowing.

Although Mr K only had 10 active accounts at the time of the loan application, she had *opened 24 new credit facilities within the preceding six months. To me this is a significant amount because it means on average Miss K was seeking and being granted around 4 new credit accounts per month. The only reasonable conclusion to draw from this is that Miss K had a constant need for new credit - and it ought to have flagged concerns with Quid Market as to why Miss K needed to borrow so often.*

In addition, Quid Market was told that over the course of the last 60 months Miss K had used 244 different credit facilities which is again an average of around 4 per month, which would suggest underlaying difficulties.

Indeed, given how frequent accounts were being opened, I don't think it's unreasonable to suggest that some or all of these were likely to be high-cost borrowing – perhaps payday loans. And this does seem to have been the case, because in the 6 months before loan 1 was taken Miss K had repaid 5 accounts classified as "AAI" meaning advance against income or a payday loan, one bank loan and then 25 other loans termed "Finance House". Its therefore most likely these loans were either payday, instatement or high-cost credit loans.

And this seems to have borne out in the results, because Quid Market was told that at the time Miss K had five active loans accounts costing her £410 per month when loan 1 was given. On top of this Miss K had a mortgage of a similar value and a significant balance on her current account overdraft – which was over four times her monthly income.

I have thought carefully, as to whether the credit search results on their own are sufficient to uphold the complaint. I've done this because I do foresee cases where perhaps further checks were needed.

But in the individual circumstances of this complaint and having reviewed everything in this case, I'm satisfied the sheer volume of new credit facilities being opened as well as Miss K closing 30 loans accounts with the six months before she took the loan does clearly demonstrated that she was in a cycle of borrowing. Miss K wasn't in position to repay the repay this loan in a sustainable manner and indeed, was likely to need to borrow again in order to repay this loan.

I am therefore intending to uphold Miss K's complaint about this loan.

Loans 2 and 3

Quid Market carried out similar checks before it granted loans 2 and 3. This time Miss K declared a decrease in her income to £1,200 for loan 2 and £1,700 for loan 3. For loan 3, Quid Market asked for and was provided with a copy of Miss K's wage slip. I'm satisfied that the affordability assessment for at least loan 3 was using Miss K's actual monthly income.

She also gave details of her outgoings and credit commitments. After doing so Quid Market could see, solely based on what Miss K provided that it was likely she could afford these loans.

Quid Market also carried out a credit search and so adjusted the figures Miss K had provided as part of his application. Having done so, it concluded Miss K's outgoings were likely to be around £1,016 per month. However, this still left a sufficient amount of disposable income to afford the loan repayment.

Like loan 1, a credit search was carried out for loan two and the same caveats apply to the results. As expected, Quid Market was told much the same information by the credit reference as it was told for loan one.

For loan 2, the results still showed that Miss K was in need of credit, she had opened 8 new accounts within the last 6 months. This is not as many as when loan 1 was granted but it still showed that on average Miss K was opening more than one new credit facility per month. There had also been 18 searches of her credit file within the last 3 months, indicating that *perhaps now credit providers were not willing to lend to Miss K as they once were.*

Miss K had continued to take and close multiply accounts, the results indicated that 5 payday loan accounts had been closed within the 6 months before loan 2 and a further 11 finance house loans had also been settled. As before, given the monthly term and value it's likely the majority of these were also payday loans.

There was a similar situation when loan 3 was approved as well – with the preceding 6 months Miss K had demonstrated a need for new credit and a history of repaying payday loans. This time, 6 payday loan accounts and 10 finance house loans had been closed.

There is no reasonable explanation, in my view as to why Miss K was in need of new credit unless she were stuck in a cycle of borrowing. Quid Market ought to have realised this from the results that it was given and decided that it shouldn't have advanced these loans.
I am therefore intending to uphold Miss K's complaint about these loans as well, for the same reason as loan 1.

I've set out below what Quid Market needs to do in order to put things right for her.

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 no new submissions were received, I see no reason to depart from the findings that I reached in the provisional decision. I still don't think Quid Market should've granted any of the loans because of the results it received from its credit check.

So, I've set out below what Quid Market needs to do in order to put things right for Miss K.

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 Miss K, as I'm satisfied it ought to have. Clearly there are a great many possible, and all hypothetical, answers to that question.

For example, having been declined this lending Miss K 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 now accurately reconstruct. 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 K in a compliant way at this time.

Having thought about all of these possibilities, I'm not persuaded it would be fair or reasonable to conclude that Miss K 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.

A. Quid Market should add together the total of the repayments made by Miss K towards interest, fees and charges on these loans.

B. Quid Market should calculate 8% simple interest* on the individual payments made by Miss K which were considered as part of “A”, calculated from the date Miss K originally made the payments, to the date the complaint is settled.
C. Quid Market should pay Miss K the total of “A” plus “B”.
D. Quid Market should remove any adverse information it has recorded on Miss K’s credit file in relation to these loans.

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

My final decision

For the reasons I’ve explained above and in the provisional decision, I’m upholding Miss K’s complaint.

Stagemount Limited trading as Quid Market should put things right for Miss K as directed above.

Under the rules of the Financial Ombudsman Service, I’m required to ask Miss K to accept or reject my decision before 27 March 2024.

Robert Walker
Ombudsman