

The complaint

Mr M, through his representative, complains that Stagemount Limited, trading as Quidmarket (“Quidmarket”), lent to him when he was struggling with his finances.

What happened

Mr M took three loans from Quidmarket with a year’s gap in between loan 1 and loan 2.

Loan	Approved	Amount	Repayment arrangement	Amount repaid	Date of repayment
1	8 October 2021	£500	4 x £195.12	£780.48	28 January 2022
Gap in lending					
2	8 March 2023	£400	4 x £156	£624.08	28 June 2023
3	31 July 2023	£1,000	6 x £324.38	£1,946.28	1 February 2024

Through his representative, Mr M complained to Quidmarket on 23 February 2024, received its final response letter on 20 March 2024 and his complaint was referred to the Financial Ombudsman Service on 4 April 2024. Mr M was not content that Quidmarket had not upheld his complaint, but as a goodwill gesture it had offered to remove all the loans from his credit file. That offer still stands we understand.

One of our investigators looked at the complaint and thought that it should not be upheld. Mr M’s representative replied with numerous submissions surrounding Mr M’s poor credit file details at the time of the lending but has sent nothing further.

The unresolved complaint was passed to me to decide and on 31 May 2024 I issued a provisional decision. I gave reasons as to why I considered that the complaint should be upheld in part for loans 2 and 3.

Both parties were given time to respond. Neither party has responded. But we have received an acknowledgement from Quidmarket that it would reply after 11 June 2024. No reply has been received. So, as I have no reason to reconsider or to alter my earlier findings, and therefore what follows is my provisional decision findings reiterated as my final decision.

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 Mr M 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 several different things, such as how much was being lent, the size of the repayments, and Mr M’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 Mr M. These factors include:

- Mr M 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 M having many 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 M 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 M. I do not think that this applies to Mr M's circumstances.

Quidmarket was required to establish whether Mr M 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 M 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 M's complaint.

The personal credit file sent to us by Mr M's representative was not one that Quidmarket saw at the time and so I have chosen not to review it as it may reveal information Quidmarket did not see. I don't consider that to be fair for me to account for that.

Loan 1

I accept loan 1 was for a relatively modest sum and for a short four month instalment term. Quidmarket did obtain a payslip from Mr M which showed he earned £1,871 after tax in September 2021. He had declared he was living at home with his parents, there were four people in the household and he contributed by paying rent and utility bills. On a 'pounds and pence' calculation loan 1 may have seemed affordable.

The credit file details Quidmarket obtained in October 2021 show that Mr M had two defaults from 2019 and they remained unpaid. And the credit card default from September 2018 was for a significant sum of £6,045, the balance of which remained the same in September 2021. So, Mr M had not been able to pay it down at all and it was still an outstanding balance. The records showed he had paid nothing since September 2020.

The credit file report also showed that in June 2021 Mr M had just taken a short term loan for £200, which he was still paying off, and he had strayed into his unauthorised overdraft on his current account three times since November 2020.

Further, these credit report results showed that Mr M had taken an unsecured loan in June 2018 with an outstanding balance of £8,376 to be repaid over 60 months at £349 each month. He was paying that at this point. But I come back to the details surrounding this loan later in the decision.

Overall, for a first loan of a relatively low value for a relatively short term I consider that Quidmarket's checks were sufficient. And I have no additional information about Mr M's detailed financial situation at this time. The personal credit file is not enough on its own.

My decision is that I have decided to give the benefit of the doubt to Quidmarket as Mr M did apply for the loan and was indicating he could repay it with the information he gave to Quidmarket. It was a first loan. So, the investigator's view which was a non-uphold in relation to the complaint about loan 1 stands.

Loan 2

I have noted that there was a gap in the lending and that Mr M paid off loan 1 on time. And Mr M was returning for a smaller loan with a smaller monthly repayment of around £156. Quidmarket took a copy of Mr M's payslip which showed that on 28 February 2023 Mr M earned just under £1,793 after tax.

And in line with its usual policy, Quidmarket obtained a credit search in March 2023. Whether it treated the gap in lending as a loan chain break or not, the details of that credit search could not be ignored in my view. It showed that Mr M's position had worsened or, if it was treating Mr M as a new customer, revealed information which it ought to have looked into before lending. And I don't think Quidmarket did that. And I say this despite the relatively low value of the loan and the relatively short term length.

Even the headline figures on that credit search obtained in early March 2023 showed that Mr M's revolving credit (which included credit cards) was £800 and his outstanding balance was £6,847 which showed his '*balance to limit ratio*' was 855%. This was and ought to have been an alert to Quidmarket to act on before lending.

Drilling into the detail revealed by the credit search obtained by Quidmarket, it seems that the credit card defaulted account I referred to for loan 1 in October 2021, towards which Mr M had been paying nothing, had been passed to a debt collector. So, the credit limit for that card – formerly £6,700 - had reduced to £0. Mr M had two other credit cards and so it's highly likely that the new credit limit of £800 related to those.

Further, in relation to the unsecured loan taken in June 2018 which had an outstanding balance of £8,376 to be repaid over 60 months at £349 each month, the March 2023 credit report demonstrated that Mr M had paid nothing towards it throughout all of 2022. It was marked as a delinquent loan account, the outstanding balance being the same as it had been in October 2021.

So, these were two significant debts to which Mr M had made no contributions at all for at least a year if not more.

A loan Mr M had taken in November 2021 - so one month after the Quidmarket loan 1 – had defaulted in March 2022 and had eventually been paid off in January 2023.

Mr M had strayed into his unauthorised overdraft five times since July 2022 and had not been paying anything towards the two other credit card accounts for some time – or had been making the barest minimum payments such that the balances had not altered much, if at all, for many months.

Mr M had taken a short term loan in October 2022 for £500 but still owed money on it.

My reading of the credit file details indicated to me that Mr M was in financial trouble. And he was mismanaging his finances. He appeared to be borrowing for several reasons, one of

which looked like it was to pay off debts, and another looked to be to get out of his unauthorised overdraft.

Although these were lesser amounts, if he'd no money in his account and therefore had no money for rent or travel or food and was not paying his loans, his credit card accounts or debt collector anything, then I doubt that it can be considered fair or reasonable for Quidmarket to have expected Mr M to repay the £156 a month for loan 2. I don't think Mr M had any money at all.

My decision is that on the evidence I have, I determine that Quidmarket ought not to have lent to Mr M at loan 2 or at all going forward because of this information it had to hand in the credit reference agency report or reports.

Loan 3

As I have outlined earlier, I consider that Quidmarket ought to have ceased lending to Mr M at loan 2. So, for Mr M to apply to it a few months later for a loan amount more than double the loan 2 sum – for £1,000 – over a longer term at a larger repayment amount of £324.38 a month for six months, leads me to decide that Mr M was very unlikely able to afford those kind of repayment sums.

And I consider had Quidmarket reviewed the information it had obtained before lending in a fair and reasonable way it would have recognised that and refused loan 3.

My decision is that I uphold the complaint about loans 2 and 3.

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 2 and 3 to Mr M, 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 M 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 Mr M 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 M 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.

My decision is that Quidmarket shouldn't have given Mr M loans 2 and 3, and I direct that it does as follows:

- A. Quidmarket should add together the total of the repayments made by Mr M towards interest, fees, and charges on loans 2 and 3.
- B. Quidmarket should calculate 8% simple interest* on the individual payments made by Mr M which were considered as part of "A", calculated from the date Mr M originally made the payments, to the date the complaint is settled.
- C. Quidmarket should pay Mr M the total of "A" plus "B."

D. Mr M's credit file should be amended to remove adverse payment information for loans 2 and 3. If Quidmarket feels inclined to honour the earlier offer to remove the loans completely that's a matter for it to decide.

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

My final decision

My final decision is that I uphold the complaint in part and I direct that Stagemount Limited, trading as Quidmarket does as I have outlined in the '*putting things right*' part of the decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 12 July 2024.

Rachael Williams
Ombudsman