

The complaint

Ms F complains that Stagemount Limited trading as Quidmarket was irresponsible to lend to her on four occasions.

What happened

Quidmarket agreed four loans for Ms F from October 2023 to May 2024. I've summarised some of the information it provided about these loans in the table below.

Loan	Date funded	Settled	Amount	Total owed	Repayment	Term (months)
1	30/10/2023	31/01/2024	£300	£457.71	£152.57	3
2	06/02/2024	30/04/2024	£400	£761.04	£126.84	6
3	01/05/2024	02/05/2024	£650	£1,184.45	£236.89	5
4	09/05/2024	Ongoing	£400	£755.22	£125.87	6

Ms F repaid her second loan early. I understand that she withdrew from the agreement for her third loan and has made no repayments to her fourth.

In May 2024 Ms F complained to Quidmarket about her loans. She said that it didn't carry out the checks it was required to make before lending to her. Ms F said that she took out multiple loans consecutively, and was unable to repay them along with her bills and everyday finances.

Quidmarket said that its checks were reasonable, proportionate and in line with its regulatory responsibilities. It also said, however, that it could have requested further evidence from Ms F to support her application for her fourth loan. Quidmarket said that more information may have led it to decline to lend to Ms F again and so it offered to waive the interest owed on this loan.

Ms F wasn't happy with this resolution and she referred her complaint to us. One of our investigators looked into things and found that the checks Quidmarket carried out for each of Ms F's applications were reasonable and proportionate. However, they also found that Quidmarket should have seen from its checks for Ms F's second loan that she was having difficulty with her finances and so should not have offered her more credit. They recommended that Ms F's complaint about her second, third and fourth loans be upheld.

Quidmarket didn't agree with this recommendation and asked for the complaint to come to an ombudsman 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.

I've also had regard to the regulator's rules and guidance on responsible lending (set out in its consumer credit handbook – CONC) which lenders, such as Quidmarket, need to abide by. Quidmarket will be aware of these, and our approach to this type of lending is set out on our website, so I won't refer to the regulations in detail here but will summarise and refer to them where appropriate.

Before entering into a credit agreement, Quidmarket needed to check that Ms F could afford to meet her repayments as they fell due over the lifetime of the agreement, out of her usual means without having to borrow, without failing to make any other payment she had a contractual or statutory obligation to make and without the repayments having a significant impact on her financial situation.

The checks carried out needed to be proportionate to the nature of the credit (the amount borrowed or the term, for example) and to Ms F's particular circumstances. Generally, more in depth checks might be proportionate the higher the loan amount or the longer the loan term or the lending relationship, and Quidmarket needed to have proper regard to the outcome of its assessment in respect of affordability risk.

The overarching requirement was that Quidmarket needed to pay due regard to Ms F's interests and treat her fairly. CONC 2.2.2G(1) gave an example of contravening this as 'targeting customers with regulated credit agreements which are unsuitable for them by virtue of their indebtedness, poor credit history, age, health, disability or any other reason.'

With this in mind, my main considerations are did Quidmarket complete reasonable and proportionate checks when assessing Ms F's applications to satisfy itself that she would be able to make her repayments without experiencing adverse consequences? If not, what would reasonable and proportionate checks have shown? Was there anything of concern in the checks Quidmarket did carry out and did it make fair lending decisions? Did Quidmarket treat Ms F unfairly or unreasonably in any other way, including whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974?

Quidmarket provided the information it relied when making its lending decisions, which included Ms F's application forms, her bank statements and copies of her credit reports. Quidmarket said it verified applicants' income electronically or, failing that, via payslips.

Loan 1 agreed in October 2023

I think the checks Quidmarket carried out when Ms F applied for her first loan were reasonable and proportionate, and I've reviewed what it learnt about her finances.

When Ms F applied for her first loan she said her income was £1,750 and her expenses, including her rent, living costs and existing credit commitments came to £780. Quidmarket relied on a figure of £1,600 for Ms F's income and £1,000 for her outgoings. This left Ms F with an estimated £600 a month spare to meet her loan repayment of £152.57 and any other costs.

I'm not sure how Quidmarket verified Ms F's income but her bank statements from the time showed an income higher than the figure of £1,600 it relied on, so I think it would have been reassured that her income was at least as she'd said had checked this on the statements.

Ms F's credit file showed that she owed £4,337 altogether. Ms F had two active loans, one taken out in March, the other in August 2023 and she had taken out and repaid at least six short term loans throughout 2023.

Ms F had defaulted on two accounts, the most recent in late 2021, and both were shown as settled. Ms F had missed a recent payment on a mail order account and was over her limit with a balance of £158 and a limit of £150.

I don't think the defaults reported on Ms F's credit file ought to have raised concern given how long ago they happened. I do think the recent missed payment might have raised concern for Quidmarket, alongside Ms F's recent use of short term credit. However, there was no negative information showing against her active loans.

Altogether, and bearing in mind the amount of the loan and that it was Ms F's first loan with Quidmarket, I've concluded that it didn't treat her unfairly or lend irresponsibly on this occasion.

Loan 2 agreed in February 2024 and later loans

Ms F's application for her second loan shows her income as £1,850 and her expenses as £750. Quidmarket relied on this income figure and a total expenses figure of £900, which left Ms F with an estimated £950 to meet this new loan repayment of £126.84.

Ms F's credit file showed that she owed £5,022. This included the balance on her two active loans referred to above. It also showed that she'd taken out two other short term loans in October 2023 and a third in November. In addition, Ms F had missed another two payments on her mail order account and the balance now stood at £174.

I can see that Ms F met her repayments for her first loan. However, it doesn't seem to me that she'd managed to do so out of her usual means while meeting her other financial commitments when they fell due and without borrowing to do so. Her credit file shows a clear pattern of continuous borrowing and late payments. Altogether, I think the information Quidmarket now had showed that Ms F's financial difficulties weren't historic but ongoing, and that she was reliant on expensive short term credit.

As I set out above, Quidmarket had an obligation to Ms F to check that she could afford to repay this second loan without borrowing to do so or missing any of her existing commitments, not simply that she could make the repayments. Quidmarket should have seen from the information it had that Ms F wasn't likely to meet her repayments without experiencing financial difficulty, and I can't say it had proper regard to the outcome of this assessment.

Ms F applied for this loan less than a week after repaying her first and it was for a larger amount. Altogether, I don't think Quidmarket treated Ms F fairly or with due regards to her interests when it agreed a second loan for her under these circumstances.

In response to our investigator's view, Quidmarket said that Ms F hadn't excessively exceeded her limit on her mail order account. It also said that while she had a few late payments she'd brought her account back up to date. Quidmarket also said that the number of new accounts Ms F opened wasn't excessive and her use of her revolving credit accounts wasn't high.

I can accept that just considering the amounts involved (on these late payments, overlimit spending or borrowing from short term lenders) or taking each in isolation might not automatically raise concerns. However, given their ongoing and frequent nature, it should have been clear to Quidmarket by the time of Ms F's second application that this pattern of financial management was likely to continue, and so Ms F wasn't likely to be able to meet her repayments for this loan without difficulty.

From the available information it doesn't seem to me that Ms F's circumstances improved throughout the lending relationship with Quidmarket, in that her pattern of borrowing and late payments continued. I don't think Quidmarket treated Ms F fairly by agreeing a third or fourth loan for the same reasons I've given above regarding her second loan. I appreciate that Ms F withdrew from her third loan agreement but I'm referencing it here for completeness and also because I understand she repaid some interest in addition to repaying the capital she borrowed.

In summary

I've found that Quidmarket wasn't irresponsible to have agreed Ms F's initial loan but it shouldn't have entered into the later credit agreements. I think Ms F lost out by paying interest on these loans and potentially had her credit file negatively impacted.

I did also consider whether Quidmarket treated Ms F unfairly or unreasonably in any other way, including whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. And I'm satisfied the redress I have directed below results in fair compensation for Ms F in the circumstances of this complaint and that no additional award would be appropriate in this case.

Putting things right

I've concluded that Quidmarket was irresponsible to have agreed loans for Ms F in February, April and May 2024. I think it's fair that Ms F repays the capital she borrowed as she's had the use of this but shouldn't have to pay any interest, fees or charges associated with the loans.

In summary, Quidmarket should:

- Cap the amount Ms F needs to repay at the total capital she borrowed for these loans, being £1,450, and consider all payments she made as payments towards this capital amount;
- If Ms F has paid more than she borrowed, which I don't think is the case here, then any overpayments should be refunded to her, along with 8% simple interest per annum* added to these payments from the date they were paid to the date this complaint is settled;
- If Ms F hasn't paid more than the capital she borrowed, then Quidmarket should work with her to arrange an affordable repayment plan for the remainder.
- Remove any adverse information about these loans from Ms F's credit file once settled.

If Quidmarket had sold any of these loan balances to a third party debt collector, it will need to either buy the balances back or work with the third party to bring about the above steps.

** HM Revenue & Customs requires Quidmarket to take off tax from this interest.

Quidmarket must give Ms F a certificate showing how much tax it's taken off if she asks for one.

My final decision

For the reasons given above, I am partly upholding Ms F's complaint about Stagemount Limited trading as Quidmarket and it needs to put things right as I've set out.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms F to accept or reject my decision before 5 November 2024.

Michelle Boundy
Ombudsman