

The complaint

Mr M complains that Stagemount Limited trading as Quidmarket was irresponsible in its lending to him. He wants all interest and charges applied to his loans refunded.

What happened

Mr M was provided with four loans by Quidmarket between June 2022 and January 2024. He said that during this period he also opened numerous payday loans, credit cards and personal loans. He says he was spending on gambling and had entered a cycle of debt. Mr M says that Quidmarket didn't carry out adequate checks before the loans were provided and the loans have added to his financial hardship.

Quidmarket issued a final response to Mr M's complaint dated 4 April 2024. It said that before the loans were provided information was gathered about Mr M's personal circumstances, employment, income and expenses. It said Mr M said he wasn't in financial difficulty or in arrears with his priority bills. It said Mr M's income was verified electronically if possible and if not, evidence was requested. Quidmarket said that based on its checks the loans were affordable and noted that there was a seven month lending gap between loans two and three.

Mr M referred his complaint to this service.

Our investigator thought that the checks carried out before loans one to three were provided were reasonable. As these didn't raise concerns about affordability, he didn't think that Quidmarket was wrong to provide these loans. Before the fourth loan was provided, our investigator noted that Mr M's indebtedness had increased substantially and when asked whether he was behind on his priority bills Mr M answered 'yes'. Given this he thought it would have been proportionate for Quidmarket to have carried out further checks to understand Mr M's financial circumstances at that time.

Our investigator reviewed Mr M's bank statements to understand what further checks would likely have shown and found there were additional credit commitments. He also noted that Mr M was making substantial transfers to another account and given the size of these he thought it would have been reasonable to ask for statements for the other account as well. Had this been provided, Quidmarket would have seen that Mr M was spending this money on gambling. He thought Mr M's pattern of taking out new lending leading up to loan four and his transfers to an account to spend on gambling would have been identified had proportionate checks taken place. He thought that had Quidmarket been aware of this information it would likely have realised that lending to Mr M wasn't responsible.

Quidmarket didn't agree with our investigator's view. It said that our investigator upheld loan four based on information that it wasn't aware of, and that Mr M hadn't disclosed. It said that given the pattern of lending it wasn't required to request bank statements and so it couldn't have been aware about the additional account Mr M was using for gambling. It said that no new lending products were disclosed in the prior three months on its credit search.

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.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

Mr M was provided with four loans by Quidmarket.

Loan	Date	Amount	Term	Monthly repayment	Repaid
1	06/06/2022	£400	5 months	£140.48	28/10/2022
2	07/11/2022	£400	5 months	£136.65	27/02/2023
3	13/10/2023	£600	6 months	£178.60	29/01/2024
4	31/01/2024	£800	6 months	£258.90	

Before each loan, information was gathered about Mr M's income and expenses. Quidmarket has said that Mr M's income was verified and that a credit check was carried out. Having looked through the information Quidmarket gathered, this shows that Mr M's monthly net income was £2,070 when loan one was provided, and this had increased to £2,371 by loan four. As these numbers were verified (copies of payslips have been provided for loans two to four) I find that reasonable checks were carried out regarding Mr M's income.

Mr M was also asked about his monthly expenses for costs such as housing, credit commitments, utilities, and other general living costs. Mr M said he was living with parents and an amount was included for this cost. Having looked through the expenses information I do not find this raised any concerns. Considering Mr M's income compared to the loans provided and his disposable income compared to the loan repayments I do not find that this suggested the loans to be unaffordable.

I have therefore considered whether there was any other information gathered that raised concerns that the lending wasn't responsible or that further questions should have been asked.

Having looked through the results of the credit checks and other available information, I do not find this raises concerns that meant further checks should have taken place before the first three loans were provided. As these loans appeared affordable, Mr M had made the required repayments on each previous loan and there had been a break in the lending between loans two and three, I do not find I can say that Quidmarket acted irresponsibly by providing loans one to three.

Before loan four was provided, the credit check results showed that Mr M's total unsecured debt had increased. Mr M had opened three accounts in the previous six months and while I note Quidmarket's comment that the increase in Mr M's credit commitments was due to him taking out a hire purchase agreement, the credit check it received also showed that he had taken out two new loans (one in November 2023 and one in January 2024). Given this was Mr M's fourth loan with Quidmarket and he was taking out new loans elsewhere (despite him seeming to have reasonable disposable income) I think this could have suggested that he was becoming reliant on debt.

While Mr M's credit search results didn't show signs that Mr M was struggling to manage his existing credit commitments, I can see from the income and expenditure check carried out that he said he was in arrears on his priority bills. I think this should have raised concerns about how Mr M was managing his money.

Given the above, I think that it would have been reasonable to have carried out further checks to get a full understanding of Mr M's financial circumstances before providing loan four.

Quidmarket has said that it wasn't required to request copies of Mr M's bank statements based on his pattern of borrowing. But, for the reasons set out above I think that it did need to gain a thorough understanding of Mr M's financial circumstances before providing the lending and so I have looked through Mr M's bank statements to see what Quidmarket would likely have identified had further checks taken place.

Mr M's bank statements show he was making payments to several lenders as well as making frequent transfers to another account. Given the amount Mr M was transferring to his other account I think it would have been reasonable that Quidmarket would have asked about this. The account statements for Mr M's other account show that he was using this for gambling. Given the large amounts Mr M was spending each month on gambling and that he appeared to be funding this through borrowing, I do not find that providing further credit to Mr M at this time should have been considered responsible.

Taking all of the above into account, I find that the information received through Quidmarket's checks before loan four was provided should have raised concerns that meant a thorough review of Mr M's financial circumstances should have taken place. Had this happened, I find it more likely than not that Mr M's gambling would have been identified and that he appeared to be funding this by taking on debt. Because of this I do not find that Quidmarket should have provided Mr M with loan four.

I've also considered whether Quidmarket acted unfairly or unreasonably in some other way given what Mr M has complained about, including whether its relationship with him might've been viewed as unfair by a court under s.140A Consumer Credit Act 1974. However, I'm satisfied the redress I have directed above results in fair compensation for Mr M in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Putting things right

As I do not find that Quidmarket should have provided Mr M with the fourth loan in January 2024, it should now add up the total amount of money Mr M received as a result of having been provided this loan. The repayments Mr M made should be deducted from this amount.

- If this results in Mr M having paid more than he received, any overpayments should be refunded along with 8% simple interest* (calculated from the date the overpayments were made until the date of settlement). Quidmarket should also

remove any adverse information recorded about this loan from Mr M's credit file.

- If any capital balance remains outstanding, then Quidmarket should arrange an affordable and suitable repayment plan with Mr M. Once Mr M has cleared the outstanding balance any adverse information about loan four should be removed from Mr M's credit file.

*HM Revenue & Customs requires Quidmarket to take off tax from this interest. Quidmarket must give Mr M certificate showing how much tax it's taken off if he asks for one.

My final decision

My final decision is that Stagemount Limited trading as Quidmarket should take the actions set out above in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 25 November 2024.

Jane Archer
Ombudsman