

complaint

Mr D has complained about short-term loans granted to him by Stagemount Limited trading as Quid Market.

background

Quid Market agreed five short-term loans for Mr D between 2 July 2014 and 22 May 2015. Mr D says these loans were unaffordable for him and that Quid Market would've known this and shouldn't have lent to him.

Quid Market said that it had used various factors to assess affordability before lending, but accepted that the fourth and fifth loans it had given Mr D may have been unaffordable. It has confirmed to our adjudicator that it will refund the interest and charges (plus statutory interest) on the fourth loan. And that interest has been written off on the fifth loan. And it said it proposed to use the refund to reduce the outstanding balance on loan five – to which Mr D had not made any repayments.

Mr D didn't feel that went far enough to resolve things fairly and so brought his complaint to this service.

One of our adjudicators looked into Mr D's complaint. He thought Quid Market's offer with regard to loan four and five was reasonable. So he went on to look into loans one to three. And he thought that Mr D's complaint about loans one to three should be partially upheld. He recommended that – in addition to the offer made on loan four and five, Quid Market should also refund the charges and interest Mr D paid for the third loan plus 8% interest. But he also said that the refund could be used to reduce the outstanding debt Mr D still owed Quid Market as Mr D had had the benefit of those funds. He also said that any negative information recorded on Mr D's credit file by Quid Market about all three refunded loans should be removed. But he didn't think that Quid Market had done anything wrong when it lent loans one and two to Mr D.

Quid Market didn't agree with this recommendation, so the complaint has come to me for a final decision. Specifically Quid Market didn't agree with the adjudicator's recommendation with regard to the third loan. With regard to loan three, Quid Market said:

- Mr D told it his salary had increased to £1,880 – an increase of £180 from the previous application;
- the increase in salary was enough to cover the increase in the loan amount – an extra £75, even when taking into account the other outstanding loans a credit search revealed Mr D had;
- Mr D was single and living with parents - so he wouldn't have had a high level of priority debts;
- Mr D had confirmed he wasn't in financial hardship;
- based on this information the decision to approve the third loan was reasonable without further checks;
- Mr D has provided information to our adjudicator that he hadn't provided to it.

my findings

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 taken into account the law, any relevant regulatory rules and good industry practice at the time the loans were offered.

Quid Market was required to lend responsibly. It needed to make checks to see whether Mr D could afford to pay back each loan before it lent to him. Those checks needed to be proportionate to things like the amount Mr D was borrowing and what information Quid Market had about him. But there was no set list of checks it had to do.

Quid Market says that when Mr D applied for each loan it checked his credit file and asked him for some information about his financial circumstances. So I've gone on to consider whether these checks or anything about the circumstances of Mr D's loan requests should've led Quid Market to carry out further checks or decide the borrowing Mr D was requesting was unaffordable.

With the first and second loans - both taken in July 2014, the amounts Mr D was asking to borrow (£200) wasn't particularly large - when compared to his declared net income of £1,700 per month. And Quid Market has shown us the results of a credit check it did. And I can't see that the credit check indicated anything of concern at this point. So bearing in mind these were the first two loans Mr D had requested from Quid Market, the information provided by him and that the first loan was repaid within 14 days, there probably wasn't enough at the point these two loans were requested to concern Quid Market. So I think Quid Market did enough proportionate checks on these loans.

But Mr D applied for the third loan - £275, the same day he repaid the second loan – and the loan amount was the same as the amount he had to pay to repay the second loan. This suggests to me that Mr D might have needed to borrow the third loan to replace the funds he used to repay the second loan. And I think this should've prompted Quid Market to question why Mr D was coming back again for more lending and do greater checks – for example, asking for more thorough information about existing credit commitments..

Quid Market has pointed to the fact that Mr D told it that his income had increased. But I can't see that Quid Market did a revised expenditure check at this time – so it seems to have relied on information previously provided.

So I have looked at Mr D's bank statements from around the time he took the third loan. From these I can see that Mr D spent considerable sums of money on gambling and he was borrowing from multiple lenders. I think Quid Market would've likely known at least some of this had it looked into Mr D's circumstances in more detail. And I don't think it would've lent to him knowing this. So I don't think that any additional lending would've been affordable for Mr D and so Quid Market shouldn't have lent him this loan.

As explained above, Quid Market has made an offer on Mr D's fourth and fifth loans. So I won't be looking at the sale of these loans further. But together with the redress already offered, Quid Market should also pay the redress for loans three, four and five as described below.

putting things right

I don't think that Quid Market should've agreed to give Mr D the third loan as well as loans four and five. So – in addition to redress offered for loans four and five, Stagemount Limited should:

- refund Mr D with all the interest and charges applied to the third, fourth and fifth loans;
- add simple interest at a rate of 8% per annum to each of the refunds from the date they were paid to the date of settlement *;
- remove any adverse information recorded on Mr D's credit file in relation to loans three, four and five.

If Quid Market is still owed the outstanding capital balance from loan five then it can deduct this amount from the amount it needs to pay Mr D.

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

my final decision

My final decision is that I uphold Mr D's complaint in part and direct by Stagemount Limited to pay him fair compensation as detailed above.

I make no other award against by Stagemount Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 19 December 2016.

Sandra Greene
ombudsman