## The complaint

Ms C complains that Stagemount Limited trading as Quid Market (Quid Market) advanced her loans without carrying out the correct affordability checks.

## What happened

Ms C was granted six loans and I've outlined a summary of her borrowing below.

| loan number | loan amount | agreement date | repayment date | repayment period (months) | highest repayment per loan |
|---|---|---|---|---|---|
| 1 | £225.00 | 17/07/2013 | 01/10/2023 | 29 days | £342.21 |
| break in lending | | | | | |
| 2 | £300.00 | 01/05/2018 | 17/05/2018 | 3 | £135.83 |
| 3 | £1,000.00 | 30/07/2018 | 29/08/2018 | 5 | £355.29 |
| 4 | £600.00 | 12/12/2018 | 15/05/2019 | 4 | £256.06 |
| 5 | £500.00 | 19/08/2019 | 20/09/2021 | 4 | £204.44 |
| 6 | £800.00 | 28/10/2019 | 14/08/2020 | 6 | £242.51 |

Following Ms C's complaint, Quid Market issued its final response letter, and it didn't uphold the complaint. Although, as a gesture of goodwill and in full and final settlement of the complaint, it offered to remove these loans from Ms C's credit file. Ms C didn't accept the offer and instead referred the complaint to the Financial Ombudsman.

In the adjudicator's most recent assessment he partly upheld Ms C's complaint, about loans five and six only. The adjudicator concluded for these loans further checks ought to have been carried out because before loan 5 was granted Ms C recently defaulted on another account. Had further checks been made, Quid Market would've likely discovered Ms C was already paying a number of other pay day lenders. This in turn led him to conclude, the loan repayments weren't sustainable.

Quid Market didn't respond to or acknowledge the adjudicator's findings.

As no agreement could be reached the complaint has been passed to me for a 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.

Quid Market had to assess the lending to check if Ms C 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 Ms C'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 Ms C. These factors include:

- Ms C 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);
- Ms C 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);
- Ms C 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 Ms C. The adjudicator concluded that this didn't apply in Ms C's complaint, and I agree considering the loan history and the break in lending between loans one and two.

Quid Market was required to establish whether Ms C 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 Ms C 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 Ms C's complaint.

Quid Market didn't respond to the adjudicator's most recent assessment and Ms C hasn't disagreed with the adjudicator's decision to not uphold loans 1, 2, 3 and 4. It therefore seems these loans are no longer in dispute and so I say no more about them.

I also don't know why, because no response was provided, as to why Quid Market didn't agree with the adjudicator's assessment to partly uphold the complaint. As a result of that, this decision will focus on whether Quid Market did all it ought to have done before advancing loans five and six.

**Loans 5 and 6**

For these loans Quid Market asked Ms C about her income and expenditure details. For both loans Ms C declared she worked full time and received a monthly salary of £2,300. Quid Market says this income was electronically verified.

In terms of outgoings, Ms C declared these were £1,000 per month for loan five and £950 per month for loan six. These costs were declared for credit card / loan repayments, mortgage / rent, utilities and other monthly outgoings. Based solely on what Ms C declared, she had more than enough disposable income to afford these loan repayments.

Before each loan was granted a credit search (which I go on to below) was carried out and as a result of this search Quid Market made adjustments to Ms C's monthly outgoings. For loan five it concluded these were likely around £1,032 per month and £1,747 per month when loan six was approved.

A copy of the credit check results that Quid Market received from the credit reference agency have been provided. So, I've looked at these to see if there was anything contained within it that ought to have either led Quid Market to have conducted further checks and / or declined the application for the loan.

The results showed for loan five that Ms C had 12 active accounts when this loan was approved. It knew Ms C owed other creditors nearly £14,000 (excluding the mortgage). So superficially, there wasn't anything that demonstrated Ms C was reliant on this sort of borrowing.

But it did know that Ms C had defaulted on a mail order account in July 2019, so only one month before loan five was approved and at the time the account defaulted Ms C was around £400 over the prescribed credit limit. Clearly, in my view, this was an indicator that Ms C was struggling to keep on top of her existing credit commitments.

Ms C's credit file also showed that she was a regular user of payday loans, she had settled six such loans within the previous four months before loan five. Which meant Quid Market was aware, although Ms C wasn't always borrowing from itself, Ms C was showing that she was still seeking out other credit. This could point towards her being in financial difficulties or at the very least, she was struggling to meet her existing commitments without having to borrow further.

Taking account of the total lending history and the information contained within the credit report I have concluded – like the adjudicator, that Quid Market ought to have been sufficiently concerned that it should've carried out further checks, which ought to have included obtaining a full understanding of Ms C's financial position. These extra checks ought to have been carried out not just before loan five was granted but also when loan six was granted.

Quid Market could've gone about gathering this further information a number of ways, it could've asked for evidence of her income such as through a wage slip and in terms of her outgoings it could've asked for copies of her bills or any other documentation it felt it was necessary to obtain. Or, as the adjudicator has done, Quid Market could've asked to review Ms C's bank statements.

Had further checks been carried out before loan five was granted I think Quid Market would've likely discovered that Ms C had four outstanding payday loans and one outstanding high-cost instalment loan – the cost per month to service these five loans came to over £1,000 each month – before any other living costs and other credit commitments were considered.

So, I do think, given the credit check results and the other outstanding payday loans that Quid Market ought to have known about this should've led it to conclude it was unlikely that Ms C was in a position to be able to take on any more high-cost credit loans and repay them sustainably.

And I've also considered the bank statements from when loan six was advanced and a similar position is shown. This time Ms C had three outstanding payday loans and a high-cost credit loan costing over £765 each month. And while, Quid Market wasn't to know this at the time, shortly after loan six was advanced, Ms C was granted another two payday loans – which is further indication, that overall, her position hadn't significantly changed since loan five. So, I am also upholding her complaint about loan six.

I am upholding Ms C's complaint about loans 5 and 6 and I've outlined below what Quid Market needs to do in order to put things right for her.

**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 loans five and six to Ms C, 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 Ms C may have simply left matters there, not attempting to obtain the funds from elsewhere. If this wasn't a viable option, she may have looked to borrow the funds from a friend or relative – assuming that was even possible.

Or, she 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 Ms C 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 Ms C 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.

Quid Market shouldn't have given Ms C loans 5 and 6.

A. Quid Market should add together the total of the repayments made by Ms C towards interest, fees and charges on these loans.
B. It should then calculate 8% simple interest* on the individual payments made by Ms C which were considered as part of "A", calculated from the date Ms C originally made the payments, to the date the complaint is settled.
C. Quid Market should pay Ms C the total of "A" plus "B".
D. Quid Market should remove any adverse information it has recorded on Ms C's credit file in relation to loans five and six.

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

**My final decision**

For the reasons I've outlined above, I am upholding Ms C's complaint in part.

Stagemount Limited trading as Quid Market should put things right for Ms C as directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms C to accept or reject my decision before 22 November 2023.

Robert Walker
**Ombudsman**