

The complaint

Mr T complains that Stagemount Limited trading as Quidmarket (Quidmarket) gave him loans he couldn't afford to repay.

What happened

Mr T took sevens loans from Quidmarket, and I've outlined a summary of his borrowing below.

loan number	loan amount	agreement date	repayment date	repayment period (months)	highest repayment per loan
1	£300.00	25/03/2019	28/06/2019	3	£157.33
2	£275.00	30/06/2019	30/09/2019	3	£139.03
3	£360.00	23/10/2019	31/01/2020	3	£191.67
4	£300.00	04/05/2020	30/09/2020	5	£106.69
5	£400.00	03/11/2020	31/03/2021	5	£143.85
6	£750.00	02/04/2021	31/08/2021	5	£263.01
7	£700.00	02/09/2021	08/07/2022	5	£252.69

Following Mr T's complaint, Quidmarket issued its final response letter, and it didn't uphold his complaint. Although, Quidmarket didn't uphold the complaint, as a gesture of goodwill it offered to remove these loans from Mr T's credit file. Mr T didn't accept the offer and instead referred the complaint to the Financial Ombudsman.

The complaint was considered by an adjudicator who didn't uphold the complaint about loans 1 – 5. In relation to loans 6 and 7 she thought the lending had now become harmful for Mr T and so she upheld those loans.

Mr T accepted the adjudicator's findings.

Quidmarket didn't respond to the adjudicator's assessment despite being prompted for a response and being given extra time. As Quidmarket hadn't responded to the adjudicator's assessment in order to bring this matter to a close, 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.

Quidmarket had to assess the lending to check if Mr T 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 a number of

different things, such as how much was being lent, the size of the repayments, and Mr T'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 Quidmarket should have done more to establish that any lending was sustainable for Mr T. These factors include:

- Mr T 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 T 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);
- Mr T 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 T. The adjudicator thought this point was reached by the time loan 6 was granted.

Quidmarket was required to establish whether Mr T 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 T was able to repay his loan sustainably. But it doesn't automatically follow that this is the case.

Industry regulations say that payments are sustainable if they are made without undue difficulties and in particular, made on time, while meeting other reasonable commitments and without having to borrow to make them. If a lender realises, or ought reasonably to have realised, that a borrower won't be able to make their repayments without borrowing further, then it follows that it should conclude those repayments are unsustainable.

I've considered all the arguments, evidence and information provided in this context, and thought about what this means for Mr T's complaint.

Quidmarket didn't respond to the adjudicator's assessment, so I don't know what if anything it thinks the adjudicator may have missed in her assessment. But Mr T accepted the adjudicator's outcome including the fact she didn't uphold loans 1 – 5. To me, this suggests these loans are no longer in dispute and therefore I will say no more about them. Instead, this decision will focus on whether Quidmarket did all it ought to have done before advancing loans 6 and 7.

Loans 6 and 7

So, in addition to looking at the checks that Quidmarket did before each loan which included asking Mr T for details of his income and expenditure and carry out a credit check.

I've also looked at the overall pattern of Quidmarket's lending history with Mr T, with a view to seeing if there was a point at which Quidmarket should reasonably have seen that further lending was unsustainable, or otherwise harmful. And so Quidmarket should have realised that it shouldn't have provided any further loans.

Given the particular circumstances of Mr T's case, I think that this point was reached by loan 6. I say this because:

- At this point Quidmarket ought to have realised Mr T was not managing to repay his loans sustainably. Mr T had taken out his six loans in 24 months. So Quidmarket ought to have realised it was more likely than not Mr T was having to borrow further to cover a long-term short fall in his living costs.
- I accept there was a gap in lending between loans 3 and 4 of around three months. But I don't think that was enough to break the chain given how long Mr T had been borrowing from Quidmarket. But even removing this gap from the total time Mr T had been indebted this still meant it was his sixth loan in around 21 months of borrowing.
- From his first loan, Mr T was generally provided with a new loan shortly after the previous loan had been repaid, for example, before loan 6 there was only a gap of two days. And as I've said above, there was one larger gap of around three months, but I don't think that alone shows that Mr T wasn't likely borrowing to fill a short-term hole in his finances. To me, at times, the quick up take in borrowing is a sign that Mr T was using these loans to fill a long-term gap in his income rather than as a short-term need.
- Mr T's first loan was for £300 and loan 6 was for more than double - £750. At this point Quidmarket ought to have known that Mr T was not likely borrowing to meet a temporary shortfall in his income but to meet an ongoing need.
- Mr T wasn't making any real inroads to the amount he owed Quidmarket. Loan 7 was taken out 29 months after Mr T's first loan and was to be repaid over a longer term of five months. His final loan was also the second largest and the monthly repayments were only marginally smaller than what he was paying for loan 6. Mr T had paid large amounts of interest to, in effect, service a debt to Quidmarket over an extended period.

I think that Mr T lost out when Quidmarket provided loans 6 and 7 because:

- these loans had the effect of unfairly prolonging Mr T's indebtedness by allowing him to take expensive credit intended for short-term use over an extended period of time
- the number of loans and the length of time over which Mr T borrowed was likely to have had negative implications on Mr T's ability to access mainstream credit and so kept him in the market for these high-cost loans.

Overall, I'm upholding Mr T's complaint about loans 6 and 7 and I've outlined below what Quidmarket needs to do in order to put things right.

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 6 and 7 to Mr T, 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 T 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 T 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 T 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.

Quidmarket shouldn't have given Mr T loans 6 and 7.

- A. Quidmarket should add together the total of the repayments made by Mr T towards interest, fees and charges on this loan.
- B. Quidmarket should calculate 8% simple interest* on the individual payments made by Mr T which were considered as part of "A", calculated from the date Mr T originally made the payments, to the date the complaint is settled.
- C. Quidmarket should pay Mr T the total of "A" plus "B".
- D. The overall pattern of Mr T's borrowing for loans 6 and 7 means any information Quidmarket has recorded about them is adverse, so it should remove these loans entirely from Mr T's credit file.

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

My final decision

For the reasons I've explained above, I'm upholding Mr T's complaint in part.

Stagemount Limited trading as Quidmarket should put things right for Mr T as directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 9 August 2023.

Robert Walker
Ombudsman