

The complaint

Mr D complained through a representative that Stagemount Limited trading as Quid Market (“Quid Market”) gave him loans without carrying out sufficient affordability checks.

What happened

Mr D took two loans from Quid Market and I’ve outlined a summary of the borrowing below.

loan number	loan amount	date loan was funded	repayment date	term (months)	monthly repayment
1	£600.00	11/04/2022	04/05/2022	6	£185.29
2	£600.00	13/05/2022	15/08/2022	6	£183.95

Following Mr D’s representatives’ complaint, Quid Market issued its response. It said it had carried out proportionate checks which showed these loans were affordable. Although, Quid Market didn’t uphold the complaint, as a gesture of goodwill it offered to remove these loans from Mr D’s credit file.

Mr D’s representative didn’t agree and instead referred the complaint to the Financial Ombudsman.

The complaint was considered by an adjudicator who didn’t uphold it. She didn’t think Quid Market had made an error when the loans were provided because it had carried out proportionate checks.

Mr D’s representative didn’t agree and instead asked for an ombudsman’s decision and therefore the complaint has been passed to me 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.

We’ve set out our general approach to complaints about this lending - including all the relevant rules, guidance and good industry practice - on our website.

Quid Market had to assess the lending to check if Mr D 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. 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 Mr D’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 Mr D. These factors include:

- Mr D 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 D 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 D 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 D. The adjudicator didn't consider this applied to Mr D's complaint, and I agree as only two loans were granted, for the same capital sum.

Quid Market was required to establish whether Mr D 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 D was able to repay his 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 Mr D's complaint.

Loan 1

Quid Market has shown that as part of the affordability assessment it asked Mr D for details of his income and expenditure. Mr D declared his income to be £1,800 per month. However, Quid Market says it verified Mr D's income and so for the purposes of its affordability assessment it used a monthly income figure of £1,620.

Mr D also declared his monthly outgoings were £645. This left disposable income of around £1,155 per month. However, following a credit check Quid Market believed Mr D's outgoings were more likely to be around £984 per month. This meant a decrease in his monthly disposable income to £636.

Even with this smaller disposable income figure there was sufficient disposable income for Quid Market to believe Mr D could afford the largest planned repayment of around £186 per month. The loan looked affordable.

Before this loan was approved Quid Market also carried out a credit search and it has provided the Financial Ombudsman with a copy of the results it received from the credit reference agency. I want to add that although Quid Market carried out a credit search there wasn't a regulatory requirement to do one, let alone one to a specific standard. But what Quid Market couldn't do, is carry out a credit search and then not react to the information it received if necessary.

Quid Market was also entitled to rely on the information it was given by the credit reference agency. So, I've looked at the results to see whether there was anything contained within it, that would've either prompted Quid Market to have carried out further checks or possibly have declined Mr D's application.

From the credit check results provided by Quid Market, I can see that Mr D had five active credit accounts, owing these providers just over £550. The results also showed that Mr D had only opened one account within the last six months.

So, while I accept that Mr D's representative has found in Mr D's credit file that he had opened a lot more credit accounts than the one Quid Market knew about, I still think for a first loan it was reasonable and proportionate for it to have relied on the credit check results Quid Market received.

Quid Market also knew that Mr D had defaulted on accounts in 2017 and 2018. But in my view, these were too far removed from the loan start date to have given Quid Market cause for concern that Mr D may have been having current financial difficulties.

However, looking at the rest of the credit report, there wasn't any other adverse credit data or anything to suggest that Mr D was either overindebted, having financial difficulties or was reliant on this sort of credit. Therefore, the credit report wouldn't have prompted Quid Market to carry out further checks.

I'm satisfied that Quid Market carried out proportionate checks which showed it the loan was affordable and I don't yet think it had reached the stage where it needed to verify the information it had been provided or have prompted it to conclude the lending was unsustainable for Mr D.

I'm therefore not upholding Mr D's complaint about loan one.

Loan 2

Quid Market carried out similar checks before it granted loan two. This time Mr D declared a monthly income of £1,900 and outgoings of £556 – leaving enough disposable income to afford the repayment.

However, as before, Quid Market says the income was verified and so it used a monthly income figure of £1,710 for its assessment. Quid Market also carried out a credit search and so adjusted the figures Mr D had provided as part of his application. Having done so, it concluded Mr D's outgoings were likely to be around £1,030 per month. However, this still left a sufficient amount of disposable income to afford the loan repayment.

Loan one also appeared to have been repaid without any other difficulties. I accept it was repaid much sooner than Quid Market had expected, but that alone wouldn't have prompted it to have carried out further checks.

Like loan one, a credit search was carried out for loan two and the same caveats apply to the results. As expected, Quid Market was told much the same information by the credit reference as it was told for loan one. This time it knew that Mr D owed other creditors around £554 and had six active accounts. There wasn't anything in my view that had changed since loan one to have given Quid Market cause for concern about the results. I say this bearing in mind that Quid Market adjusted Mr D's expenditure based on what it saw in the credit check.

So, like loan one, I'm satisfied that the credit check results wouldn't have led Quid Market to decline the application or to have led it to carry out further checks. Overall, Quid Market carried out proportionate checks before this loan was advanced and therefore, I am also not upholding Mr D's complaint about loan two.

In saying that, Quid Market has made a gesture of goodwill offer in the final response letter to remove these loans from Mr D's credit file. If Mr D wishes to take Quid Market up on this offer he will need to contact them directly, to see whether that offer is still available to him.

My final decision

For the reasons I've explained, I'm not upholding Mr D's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 9 November 2023.

Robert Walker
Ombudsman