The complaint

Miss H complains that Stagemount Limited trading as Quid Market (Quid Market) gave her loans which weren't affordable for her.

What happened

Miss H took two loans from Quid Market and I've outlined a summary of her borrowing below.

loan number	loan amount	date loan was funded	repayment date	term (months)	monthly repayment
1	£300.00	11/02/2020	30/04/2020	3	£139.77
gap in lending					
2	£350.00	15/07/2021	30/11/2021	5	£118.65

Following Miss H's complaint, Quid Market issued its final response letter (FRL). In summary, 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 Miss H's credit file.

Miss H didn't agree and instead referred the complaint to the Financial Ombudsman.

The complaint was considered by an adjudicator who partly upheld it. He didn't think Quid Market had made an error when loan two was provided. But he upheld Miss H's complaint about loan one because the credit search results showed Quid Market she was having problem managing her money as there was evidence that Miss H had been a regular user of payday loans in the months leading up to loan one being granted.

Quid Market disagreed with the adjudicator's findings about loan one. It said, Miss H had repaid the loan without any issue, and it directed the adjudicator back to the credit check summary that was provided in the final response letter.

The adjudicator responded to Quid Market explaining why its comments hadn't changed his mind. Quid Market said that while Miss H did have other borrowing that alone isn't enough to say these small loans were irresponsibly provided.

As no agreement was reached the complaint was passed to me for a decision. I then issued a provisional decision explaining the reasons why I was intending to ask Quid Market to do no more than it had already offered to do in its final response letter.

Both parties were asked to provide any further submissions as soon as possible, but in any event no later than 11 July 2023.

Neither Miss H nor Quid Market responded to the provisional decision.

A copy of the provisional findings follows this in smaller font and forms part of this final decision.

What I said in my provisional decision:

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 Miss H 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 Miss H'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 Miss H. These factors include:

- *Miss H 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);*
- *Miss H 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);*
- *Miss H 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 Miss H.

Quid Market was required to establish whether Miss H 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 Miss H was able to repay her 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 Miss H's complaint.

Loan 1

Quid Market has shown, as part of the affordability assessment it asked Miss H for details of her income and expenditure. Miss H's income has been according to Quid Market electronically verified and has been recorded as £2,000 each month.

Miss H also declared her monthly outgoings were £945. This left disposable income of around £1,055 per month. However, following further checks (including a credit search which I comment on below) Quid Market decreased Miss H's monthly disposable income to £513. Even with this smaller disposable income figure there was sufficient disposable income for Quid Market to believe Miss H could afford the largest planned repayment of around £140.

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 Miss H's application.

From the credit check results provided by Quid Market I can see that Miss H had 17 active credit accounts, owing these providers just over £8,000 (excluding the mortgage) and Miss H was utilising 70% of her available revolving credit limits.

Quid Market was given information which showed Miss H had defaulted on at least seven credit accounts, but these had been recorded as being in default between 2014 and 2017, which I think was too long before this loan was approved to have given Quid Market cause for concern.

However, it knew that Miss H had at least a few Home Credit loan accounts outstanding as well as one unsecured loan, one loan marked as an advance against income (so a payday loan) and two other loans recorded as being from a "Finance House". The repayment towards these loans each month was likely to be around £479. On top of this, Miss H had one credit card on which she owed around £1,100 but this was well within the credit limit.

So, it's likely, that some of Miss H's current outstanding loans were payday loans – which could indicate there was a problem in Miss H being able to repay credit without the need to borrow further. Further concerns ought to have been realised when looking at the closed accounts, it seems that Miss H had been a regular user of payday loans for the previous six months with around three such accounts being repaid in that time.

I've carefully considered the adjudicator's reasoning as to why the complaint about loan one ought to be upheld. And having considered the results in the round, I don't think this would've prompted Quid Market to have declined the application. I say this because while there was a history of Miss H had repaid loans without any obvious problems. I also have to consider that this was a relatively small loan, over a short period of time and Miss H was a new customer of Quid Market.

But I do think the results ought to have put Quid Market on alert, that perhaps Miss H's finances weren't in a great position, after all it knew she was a regular user of payday loans and had payday, unsecured loans and home credit loans outstanding at the time when she applied for loan one. So, I do think, this ought to have led Quid Market to have carried out further checks.

Therefore, I think it needed to gain a fuller understanding of Miss H's current financial position and the reasons why she was returning for further borrowing. In order to make sure this loan was affordable and sustainable.

This could've been done in several ways, such as asking for evidence of her outgoings, looking at bank statements and/or collecting any other documentation it felt it needed to obtain to have satisfied itself the loan was affordable and sustainable for Miss H. This might've helped verify information provided and revealed whether there was any other information that Quid Market might've needed to consider about Miss H's financial position.

However, that isn't the end of the matter. For me to be able to uphold the loan, I have to be satisfied that had Quid Market carried out what further checks it would've likely discovered *that Miss H couldn't afford it, or Quid Market was given evidence that indicated the loan was unsustainable for her in some other way.*

Miss H hasn't provided a copy of her credit file, bank statements or any other documentation covering the period leading up to the loan being advanced. Without anything further, I can't be sure what Quid Market may have seen had it carried out better checks. So, I can't fairly uphold the complaint about the loan.

I'm therefore intending not to uphold Miss H's complaint about loan one.

Loan 2

It's worth saying here that there was a significant break of around 14 months between Miss H repaying loan one and returning for loan two. Given this significant gap, it was reasonable for Quid Market to have treated Miss H's application afresh and if she were a new customer. So, while this was the second loan Miss H had taken, in was, in effect loan one in a new chain of lending and I've kept that in mind while thinking about the checks Quid Market carried out.

The same checks were carried out before this loan was approved, as Quid Market had carried out for loan one. Miss H declared the same income of £2,000 per month and she declared total outgoings of £1,030. This left £970 per month in disposable income.

As before, Quid Market carried out further checks and this time it decreased Miss H's disposable income to £245. This was because it had increased the amount of credit commitments and to take account of a joint mortgage Miss H had. Miss H had declared credit commitments of £50 whereas Quid Market had calculated them to be £264.

Based solely on the income and expenditure information Quid Market could've been confident that Miss H would be in a position to afford her repayments.

A credit search was also carried out, this time Miss H's overall debt had decreased to around £7,000. This time she had 16 active accounts and no new defaulted accounts. Miss H was also utilising a smaller percentage of her revolving credit balance at 53%.

This time, there was only one outstanding loan costing Miss H £20 per month. She had recently opened a couple of credit card accounts and a new mail order account. Miss H had also, since loan one taken on a car lease costing £200 per month. Overall, there wasn't anything in my view that would've led Quid Market to think that she was having difficulties managing her money or taking out new loans shortly after previous ones had been repaid. These accounts had also been well maintained.

Overall, for this loan, as a new loan in a new lending chain, Quid Market carried out proportionate checks which showed it that Miss H could afford to make her loan repayments. So, I do not uphold her complaint about loan two.

In saying that, Quid Market has made an offer in the final response letter to remove these loans from Miss H's credit file. So, on the basis that the offer may still be available (Quid Market can confirm) then the offer is fair and reasonable in resolution to the complaint.

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.

As neither party has provided any further submissions, I see no reason to depart from the findings I made in the provisional decision.

I still think, Quid Market ought to have carried out further checks before loan one was approved, but I can't what it may have seen had better checks been carried out.

I also do not uphold the complaint about loan two because proportionate checks were carried out which showed Quid Market that Miss H would be able to afford her repayments.

My final decision

For the reasons I've explained above and in the provisional decision, I do no uphold Miss H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 22 August 2023.

Robert Walker
Ombudsman