

The complaint

Mr M complained through a representative that Stagemount Limited trading as Quidmarket ("Quidmarket") gave him loans without carrying out sufficient affordability checks.

What happened

Mr M took three loans from Quidmarket 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	£300.00	28/11/2018	15/02/2019	3	£139.02
2	£250.00	24/04/2019	13/09/2019	5	£86.11
3	£400.00	15/09/2019	13/03/2020	6	£132.01

Following Mr M's representatives' complaint, Quidmarket issued its response. It said it had carried out proportionate checks which showed these loans were affordable. Although, Quidmarket didn't uphold the complaint, as a gesture of goodwill and in full and final settlement on the bases the complaint wasn't progressed further, it offered to remove these loans from Mr M's credit file.

Mr M'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 Quidmarket had made an error when the loans were provided because it had carried out proportionate checks. There also wasn't anything to suggest the loans would be unsustainable for Mr M.

Mr M'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.

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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.

Quidmarket had to assess the lending to check if Mr M 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 M'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 M. These factors include:

- Mr M 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 M 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 M 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 M. The adjudicator didn't consider this applied to Mr M's complaint, and I agree as there are only three loans, for similar amounts.

Quidmarket was required to establish whether Mr M 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 M 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 M's complaint.

For each loan Quidmarket carried out the same sort of checks. Quidmarket has shown that as part of the affordability assessment it asked Mr M for details of his income and expenditure.

Mr M declared his income to be £1,250 per month for loan one, £1,291 per month for loan two and £1,313 per month for loan three. Quidmarket says it electronically verified Mr M's income and having done so it decreased Mr M's income for loan two only to £1,162.

Mr M was also asked to declare his monthly outgoings for things such as rent, utilities and existing credit commitments. For loan one these costs came to £200, £150 for loan two and £50 for loan three.

However, following a credit check before each loan Quidmarket adjusted Mr M's living costs increasing them for each loan. For the affordability assessment it used monthly outgoings of £559 for loan one, £967 for loan two and £650 per month for loan three.

Even with this smaller disposable monthly income figure there was still sufficient disposable income for Quidmarket to reasonably believe Mr M could potentially afford the largest planned repayment of around £186 per month. The loans looked affordable.

Before the loans were approved Quidmarket 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 Quidmarket carried out credit searches there wasn't a regulatory requirement to do one, let alone one to a specific standard. But what Quidmarket couldn't do, is carry out a credit search and then not react to the information it received.

Quidmarket was also entitled to rely on the information it was given by the credit reference Agency in the absences of any contradictory information. So, I've looked at the results to see whether there was anything contained within it, that would've either prompted Quidmarket to have carried out further checks or possibly have declined Mr M's application.

Having reviewed the credit checks all the results showed much the same information. I can see that Quidmarket was aware at times of other loans outstanding. However, given the terms and monthly repayment of these loans these were likely to be longer term loans, rather than payday loans. For all the loans Mr M had fairly low credit utilisation and no evidence that he wasn't able to manage his existing credit commitments.

I do accept that there was a default recorded on his credit file in September 2018 – this appears to relate to a current account and therefore likely to be connected to an overdraft. While a default being recently applied before loan one could be a sign of financial difficulties, the fact there wasn't any other adverse credit file data, the loans looked affordable, and given that Mr M repaid them without apparent difficulty it has led me to conclude that it was reasonable for the loans to be approved.

Moreover, in the marketplace that Quidmarket operates in, it is unlikely that all applicants will have a perfect credit score or file. So, the sight of one default wouldn't in my mind have prompted further checks.

So, while I accept that Mr M's representative have found in Mr M's credit file that he had in fact opened a lot more credit accounts than the ones Quidmarket knew about, I still think for the beginning of a lending relationship that lasted only three loans it was reasonable and proportionate for Quidmarket to have relied on the credit check results it received, rather than to seek out a more detailed information.

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

So, while Mr M's representative has provided copies of his bank statements, I don't think given the loan history and what Quidmarket knew about Mr M that it reached the point where it needed to verify the information it was provided. In my view, to have reviewed the bank statements would've been disproportionate.

I'm satisfied that Quidmarket carried out proportionate checks which showed it the loans were potentially 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 M.

I'm therefore not upholding Mr M's complaint about these loans.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 30 November 2023.

Robert Walker
Ombudsman