

The complaint

Ms A complains through a representative that Stagemount Limited trading as Quid Market (“Quid Market”) gave her a loan without carrying out the correct affordability checks.

What happened

Ms A was granted a £600 loan on 19 July 2023. She was due to make six monthly repayments of £197.13. The loan was repaid in January 2024.

Quid Market didn’t uphold the complaint because it carried out sufficient checks which showed the loan was affordable.

An Investigator then reviewed the complaint and they upheld it because Quid Market had information from Ms A as well as the credit search results which showed she didn’t have enough disposable income to afford the loan payment. She also provided reasons as to why she wasn’t upholding any other parts of Ms A’s complaint.

Quid Market didn’t respond to the Investigator’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.

Ms A’s representative hasn’t commented on the outcome that the Investigator reached, and so I’ve focused this decision purely on Quid Market’s affordability checks and whether it ought to have granted the loan.

Quid Market had to assess the lending to check if Ms A could afford to pay back the amount 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 A A’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 A. These factors include:

- Ms A 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 A 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 A 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 A. There was only one loan advanced, so I don't consider this applies here.

Quid Market was required to establish whether Ms A could sustainably repay the loan – 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 A 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 A's complaint. I don't know why, because no response was provided, as to why Quid Market didn't agree with the Investigator's assessment, so I've considered the information provided.

Quid Market asked Ms A about her income and expenditure details and she declared she worked full time and received a monthly salary of £1,750. Quid Market says this income was electronically verified.

In terms of outgoings, Ms A declared these were £925 per month. These costs were declared for credit commitments, utilities food and travel.

A credit search was also carried out and Quid Market has provided a copy of the results that it received from the credit reference agency. 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.

Quid Market, calculated having seen the credit check results and factoring in what else Ms A had declared it believed her credit commitments and other outgoings came to £1,253 per month – which left nearly £400 of disposable income to afford the repayment.

As part of its calculations Quid Market believed Ms A's credit commitments came to £528 per month. But the credit checks showed payments towards five loans, seven credit cards and a mobile phone contract actually came to around £900 per month.

Added together with the other outgoings Ms A declared brings her monthly outgoings to £1,625. This only left £125 in which to afford Quid Market's loan repayment of just under £200 per month. The loan was therefore clearly unaffordable and Quid Market ought to have realised that based on the information it gathered as part of its affordability assessment.

Finally, I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed below results in fair compensation for Ms A in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

I am upholding Ms A's complaint about her loan 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 to Ms A, 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 A 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 Ms A 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 A 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 lent to Ms A.

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

*HM Revenue & Customs requires Quid Market to deduct tax from this interest. Quid Market should give Ms A 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 A's complaint.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms A to accept or reject my decision before 1 August 2024.

Robert Walker
Ombudsman