

## **The complaint**

Mr S complains that Quidie Limited (trading as Fernovo) lent to him irresponsibly.

## **What happened**

Mr S took out a single loan with Quidie in November 2017. The loan was for £200, and was due to be repaid by six monthly instalments of around £53.

Mr S repaid the loan in full. But he's explained that he was addicted to gambling at the time, and was taking out a large number of loans to fund his habit. He believes that if Quidie had carried out thorough checks, it would have realised that he wouldn't be able to keep up with his loan repayments.

Our adjudicator thought Mr S's complaint should be upheld. In summary, he thought that the information Quidie gathered before making the loan showed that Mr S was having problems managing his money. And he thought Quidie should have realised that it was unlikely that Mr S would be able to repay the loan sustainably. So he said Quidie should pay Mr S some compensation, and make some changes to his credit file.

Quidie didn't respond to the adjudicator's view, so the complaint's been passed to me.

## **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.

Quidie needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure that Mr S could repay the loan in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and the consumer's income and expenditure. With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate.

But certain factors might point to the fact that Quidie should fairly and reasonably have done more to establish that any lending was sustainable for a consumer. These factors include:

- the lower a customer's 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 higher the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the greater the number and frequency of loans, and the longer the period of time during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

I think that it's important for me to start by saying that Quidie was required to establish whether Mr S could sustainably repay his loan – not just whether the loan payments were affordable on a strict pounds and pence calculation.

Of course, the loan payments being affordable on this basis might be an indication a consumer could sustainably make their repayments. But it doesn't automatically follow this is the case. This is because the relevant regulations define sustainable as being without undue difficulties and, in particular, the customer should be able to make repayments on time, while meeting other reasonable commitments; as well as without having to borrow to meet the repayments. And it follows that a lender should realise, or it ought fairly and reasonably to realise, that a borrower won't be able to make their repayments sustainably if they're unlikely to be able to make their repayments without borrowing further.

I've carefully considered all the arguments, evidence and information provided in this context and what this all means for Mr S's complaint. Having done so, I've reached the same conclusion as the adjudicator, and for broadly similar reasons.

Quidie's told us it carried out thorough credit and affordability checks before making the loan to Mr S, and it's provided the results of those checks.

Purely on the basis of the information that Mr S gave Quidie about his regular monthly income and expenditure, I accept that the loan repayments would have appeared to be relatively comfortably affordable. The loan repayments were a small proportion of the disposable income he'd declared.

But the credit search that Quidie carried out showed that Mr S had opened a large number of accounts in the months leading up to his loan application. And although he'd repaid some loans, he still had loans outstanding with several other short-term lenders when he applied to borrow from Quidie. I think that this ought to have alerted Quidie to the likelihood that Mr S was having problems managing his money. And I think it should have realised that there was a real risk that he'd be able to repay the loan sustainably. So I don't think Quidie should have agreed to make the loan to Mr S.

### **Putting things right**

I don't think Quidie should have agreed to lend to Mr S. So Quidie should:

- refund all interest and charges Mr S paid on the loan;
- add to the above interest at 8% simple per year, from when Mr S paid the interest and charges, until the date of settlement†; and
- remove any negative information it has reported to the credit agencies about the loan.

†HM Revenue & Customs requires Quidie to take off tax from this interest. Quidie must give Mr S a certificate showing how much tax it's taken off if he asks for one.

### **My final decision**

My decision is that I uphold this complaint. I require Quidie Limited to put things right by doing as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 5 August 2020.

Juliet Collins  
**Ombudsman**