

## The complaint

Mr C complains through a representative that Quidie Limited trading as Fernovo ("Quidie") provided him with loans without carrying out sufficient affordability checks.

## What happened

A summary of Mr C's borrowing can be found in the table below.

loan number	loan amount	agreement date	repayment date
1	£100.00	08/05/2020	13/05/2020
2	£200.00	16/05/2020	10/06/2020
3	£300.00	17/06/2020	24/06/2020
4	£100.00	05/09/2020	16/09/2020
5	£200.00	04/10/2020	14/10/2020
6	£100.00	16/10/2020	18/10/2020
7	£100.00	06/11/2020	16/12/2020
8	£150.00	08/01/2021	11/03/2021
9	£100.00	14/03/2021	25/06/2021
10	£300.00	02/07/2021	24/02/2022

Quidie considered the complaint, and it outlined the checks it carried out before it approved the loans. Quidie concluded the checks were proportionate and showed that Mr C could afford the repayments. Unhappy with this response, Mr C's representative referred the complaint to the Financial Ombudsman.

The complaint was considered by an investigator. Firstly, he hadn't seen enough to be able to uphold Mr C's complaint about loans 1 – 5. Secondly, he thought the pattern of lending was such that loans 6 to 10 ought to not have been granted, so he upheld Mr C's complaint about those loans.

Quidie agreed with the investigator's recommendation and an offer was put to Mr C's representative.

Mr C didn't agree and instead asked for an ombudsman's decision. He provided a copy of his credit file and a wage slip. Mr C also confirmed he couldn't provide bank statements from the time that these loans were advanced.

As no agreement could be reached, Mr C's complaint was passed to me and I then proceeded to issue a provisional decision outlining why I thought Quidie's offer to resolve the complaint was fair.

Both parties were asked for any new submissions as soon as possible, but in any event no later than 23 February 2024. Quidie responded to let us know it agreed with the findings as set out in the provisional decision. We didn't hear from either Mr C or his representative.

A copy of 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 this type of lending - including all the relevant rules, guidance and good industry practice - on our website.*

*Quidie had to assess the lending to check if Mr C 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. Quidie'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 C'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 Quidie should have done more to establish that any lending was sustainable for Mr C. These factors include:*

- Mr C 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 C 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 C 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 C. The investigator thought this applied from loan six.*

*Quidie was required to establish whether Mr C 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 C was able to repay his loans 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 C's complaint.*

### **Loans 1 – 5**

*Before these loans were approved, Quidie asked Mr C for details of his income, which he declared as being £1,450 per month for each of these loans. Quidie says the income figure was checked by cross referencing information through a third-party report. Doing this gave Quidie a high level of confidence that Mr C's declared income was accurate. Given these were the first loans, it was reasonable for Quidie to have relied on the results of its check.*

*Mr C has provided to the Financial Ombudsman copy wage slips. Although Quidie hasn't seen these, the wage slips do show that his monthly salary was broadly in line with what he had declared to Quidie and what had been used for the affordability assessment.*

*Mr C also provided the same expenditure figures for each loan. He declared he had housing costs of £200, credit commitments of £300 per month and £230 of other living costs. This brought his monthly outgoings to £730.*

*Quidie then went about checking this information. Firstly, Quidie said it used an "affordability" report provided by a credit reference agency and that report indicated that the amount Mr C paid each month to his other credit commitments wasn't as much as Mr C had declared. But*

to err on the side of caution, Quidie used the figure provided by Mr C.

Secondly, excluding credit commitments and the housing costs Mr C had declared, his other living costs came to £230 per month. Quidie says this is much lower than averages provided by the Money Advice Service's (MAS). Using MAS averages for someone in a similar situation to Mr C, this should have led to living costs of around £483. So, this is the figure Quidie used for its assessment for each loan.

Overall, Quidie using the MAS average of £483, plus the rent cost of £200 plus the credit commitments of £300 which gave total monthly outgoings of £983. With an income figure of £1,450 this left £467 per month in disposable income to afford the loan repayments. Based on these figures, all of these loans looked affordable.

Quidie also carried out a credit search and it has provided the results it received from the credit reference agency for each loan. It is worth saying here that although Quidie carried out a credit search, there isn't a regulatory requirement to do one, let alone one to a specific standard. But what Quidie couldn't do is carry out a credit search and then not react to the information it received if necessary.

So, while I can see that Mr C has provided a copy of his credit report, in the circumstances I don't think it would be fair to consider the contents of it. I say this because Quidie carried out a credit search before each loan and so it's only fair to review what it was actually told about Mr C's outstanding debts at the time.

The headline data wouldn't have given Quidie cause for concern, it knew that Mr C didn't have any defaults or delinquent accounts within the preceding three years before each loan. Nor were there any County Court Judgements. It also knew that Mr C had, at most, around £500 of existing debt by 12 active credit accounts.

Indeed, it would seem that the longer Mr C borrowed from Quidie the more his indebtedness decreased. For example, by loan five Mr C owed just over £300 to other creditors.

There wasn't anything within the credit check results for any of the loans that would've led Quidie to have carried out further checks or to have declined his application for credit. I say this because these were Mr C's first loans and given the amounts borrowed and the terms of them, as well as what Quidie discovered through its checks – it wouldn't, in my view, have led it to believe that it needed to go further.

Having reviewed all the checks that Quidie carried out before it granted these loans and thinking about the lending relationship, it was reasonable for Quidie to have relied on the information Mr C provided to it. And the results of its own checks (which were proportionate) also showed Quidie that Mr C could afford his loans. There also wasn't anything to suggest that Mr C was having current financial difficulties or to indicate the loan repayment would be unsustainable for him.

Taking everything into account, I am planning to not uphold Mr C's complaint about these loans.

## **Loans 6 – 10**

Quidie has already accepted, following the investigator's assessment, that these loans ought to not have been granted. Given that, there is no need for me to make a formal finding for these loans as Quidie has already accepted something went wrong when they were granted.

I've therefore outlined below what Quidie has agreed to do to put things right for Mr C and I think that is fair and reasonable outcome in order to resolve 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 new submissions, I see no reason to depart from the findings that I reached in the provisional decision. I still think, for loans one to five Quidie carried out proportionate checks which demonstrated to it that Mr C would likely to be able to afford his loans. I am therefore not upholding his complaint about the first five loans.

Quidie has also accepted loans six to 10 ought to not have been granted and so I've set out below what Quidie needs to do and what it has already agreed to do, in order to put things right for Mr C.

### **Putting things right**

In line with what Quidie has already agreed to do, it shouldn't have lent loans 6 - 10.

- A. Quidie should add together the total of the repayments made by Mr C towards interest, fees and charges on these loans.
- B. It should calculate 8% simple interest\* on the individual payments made by Mr C which were considered as part of "A", calculated from the date Mr C originally made the payments, to the date the complaint is settled.
- C. It should pay Mr C the total of "A" plus "B".
- D. The overall pattern of Mr C's borrowing for loans 6 - 10 means any information recorded about them is adverse, so Quidie should remove these loans entirely from Mr C's credit file.

\*HM Revenue & Customs requires Quidie to deduct tax from this interest. Quidie should give Mr C a certificate showing how much tax it has deducted, if he asks for one.

### **My final decision**

For the reasons I've explained above and in the provisional decision, I'm upholding Mr C's complaint in part.

Quidie Limited trading as Fernovo should put things right for Mr C as directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 26 March 2024.

Robert Walker  
**Ombudsman**