

## **The complaint**

Miss G complains that Quidie Limited trading as Fernovo (Fernovo) lent to her when she could not afford it.

## **What happened**

Miss G took one loan with Fernovo on 7 September 2023. It was for £350 over a loan term of 105 days with four instalment payments. Three were due to be £130.70 each and the fourth was a little more. The total to pay originally was £526.49. My understanding is that when Fernovo was writing to us about the complaint in December 2023 no payments had been made by Miss G.

Miss G complained to Fernovo and received its final response letter October 2023 in which it explained all it had done before agreeing to lend the £350 to her in September 2023. It did not uphold her complaint. Miss G referred it to the Financial Ombudsman Service where one of our investigators considered the complaint ought not to be upheld. Dissatisfied with this outcome, Miss G asked for an ombudsman to review the complaint and so it was 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.

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.

Fernovo had to assess the lending to check if Miss G 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. Fernovo's checks could have taken into account several different things, such as how much was being lent, the size of the repayments, and Miss G's income and expenditure.

I think in the initial stages of a lending relationship, less thorough checks might have been proportionate. But certain factors might suggest Fernovo should have done more to establish that any lending was sustainable for Miss G. These factors include:

- Miss G 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 G having many loans and/or having these loans over a lengthy period (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable);
- Miss G coming back for loans shortly after previous borrowing had been repaid (also suggestive of the borrowing becoming unsustainable).

My view is that none of these bullet points applied to Miss G's situation as she had declared an income of around £2,900 a month after tax which Fernovo had verified. Plus, this was a first loan for a modest sum over a four month term which was not long.

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable for Miss G. But a pattern would not have developed here as Miss G took one loan only.

Fernovo was required to establish whether Miss G 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 Miss G 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 Miss G's complaint. I've decided not to uphold this complaint and I've explained why in the paragraphs which follow.

Fernovo carried out proportionate checks. It verified her income with three payslips. I do note that on 24 July 2023 she received £2,747 net pay, on 24 August 2023 she received £2,726 net pay whereas the June 2023 payslip Fernovo received showed it included some back pay. Miss G has told us her profession and I think this related to a pay rise for all those doing that profession. So that June 2023 payslip showed a net pay figure of £5,372. It led to Fernovo averaging the three payslips. I make that £3,615 average monthly pay and Fernovo used a figure of £3,515. Miss G has commented on this higher wage figure and I have thought about it while reviewing the complaint.

Fernovo is entitled to use the information Miss G provided to it. It would not have been accurate to have used the £2,747 net pay figures and it would not have been right to have used the £5,372 figure either. It's entitled to average the pay levels when carrying out its affordability assessment and so I do not think Fernovo did anything wrong there.

Our investigator used the £2,900 figure when carrying out the calculations which was the sum Miss G declared to Fernovo when initially applying for the loan. That was a fair and reasonable approach. And I say this because the copy pay detail she sent to us as a screenshot for May 2023 was a lower figure at around £2,255 but that would not reflect a true salary position either as the later payslip refers to back-pay.

Fernovo checked Miss G's credit file history which did not show any elements to prompt it to be unduly concerned. There was nothing there to indicate that Miss G was in financial difficulties or had been falling behind in her payments. I have received a copy of that credit search dated 6 September 2023 and reviewed it. The declared figure of credit commitments by Miss G was £200 a month and Fernovo, having obtained the credit search, justifiably increased it to £592 each month. This was an appropriate response to information obtained.

I add that there are no requirements for Fernovo to do such a credit search. Having done one, I am satisfied that Fernovo correctly applied the information it received to the affordability assessment it did.

The adverse entries (defaults in 2017 and early 2018) related to accounts which were well before she applied for this loan and a lender such as Fernovo would not be averse to lending to customers with some historical, poor credit history. In any event these debts had been settled and the defaults were several years before Miss G approached Fernovo. The headline information in the credit report I've reviewed gives no impression of being overindebted.

Fernovo also used the information it gathered to increase her rent obligation and her overall expenses. And the total figures led to it assessing that Miss G could afford four payments of just over £130 each month for the length of the loan term.

Miss G has sent to us a list of what she describes as her September 2023 outgoings as she was unable to send to us her copy bank account statements. I have reviewed them. She refers to her rent being £925 which was a lower figure than the one Fernovo used in its calculations.

Miss G also refers (in her email list) to a couple of credit commitment repayments which I have not seen on the credit search report obtained by Fernovo. And there may be several explanations for this. One is that the credit search report is always a few weeks out of date, and another is that not all credit reference agencies pick up on all of an individual's credit commitments and that is known across the industry. But what Fernovo obtained was information it could rely on for the purposes of this loan application.

I'd also add that for a first loan it would not be expected that Fernovo asked for Miss G's bank statements to review as, in my view, there had been nothing in the information and its own research that had led it to think that was a proportionate additional step.

Further, Miss G's own list of all her outgoings (rent, credit commitments and bill costs excluding food) came to £2,448 and so using the £2,900 a month figure for her income that also leads me to think Miss G was able to afford the repayments. And her payslips demonstrated her average pay over June, July and August 2023 was more than £2,900.

So, I do not consider that Fernovo approached the loan application incorrectly by doing what it did. I do not uphold Miss G's complaint. Miss G's complaint form does suggest that her financial situation may have deteriorated since September 2023 loan and I'm sorry to hear that. I remind Fernovo to approach the debt fairly and with forbearance.

### **My final decision**

My final decision is that I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Miss G to accept or reject my decision before 16 April 2024.

Rachael Williams  
**Ombudsman**