

The complaint

Mr M complains that Quidie Limited trading as Fernovo (“Quidie”) provided him with loans without carrying out sufficient due diligence to make sure the loans were affordable.

Mr M also complained about the service he received from Quidie including it not returning his calls and not helping him when he told them the payment it had taken in September 2023 left him with no available funds.

What happened

A summary of Mr M’s borrowing can be found below.

loan number	loan amount	agreement date	repayment date	number of monthly payments	monthly repayment
1	£500.00	31/03/2023	01/06/2023	4	£208.71
2	£600.00	06/06/2023	15/07/2023	3	£291.88
3	£500.00	18/07/2023	31/10/2023	4	£184.93

Quidie considered the complaint, and it outlined the checks that it carried out before it approved the loans. Quidie concluded the checks were proportionate and showed that Mr M could afford the repayments.

However, it explained that should Mr M withdraw his complaint, then as a gesture of goodwill, it would reduce the outstanding interest on the last loan by £58 and it also offered to remove all the loans from Mr M’s credit file. Quidie then increased this offer to £100. Unhappy with this response, Mr M referred the complaint to the Financial Ombudsman.

Quidie later explained that the offer was made as a gesture of goodwill on the bases that it hadn’t don’t anything wrong and it was trying to resolve the complaint. It therefore said, as the complaint was referred to the Financial Ombudsman then the offer had been withdrawn.

The complaint was considered by an investigator and a number of views have been issued. However, after the second view, Quidie had accepted it ought to pay £50 compensation to Mr M for the customer service concerns he raised.

However, in the investigator’s latest assessment, she upheld the complaint in full saying the credit check results received by Quidie showed that Mr M had larger commitments then he had declared. Based on the information within the credit search results and the other expenditure information, Mr M didn’t have sufficient funds in which to afford any of the loan repayments. Finally, she also thought a payment of £50 was fair and reasonable.

Mr M agreed with the investigator’s latest assessment, but Quidie didn’t respond. As no agreement has been reached, the case has been passed 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 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 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. 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 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 Quidie 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 investigator didn't consider this applied to Mr M's complaint, and I agree given the number of loans and the time in debt.

Quidie 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 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 M's complaint.

Before these loans were approved, Quidie asked Mr M for details of his income, which he declared as being £2,400 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 M'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 M was also asked to provide his monthly living costs to Quidie and for each loan he declared similar information. For loan 1 he had housing costs of £275, credit commitments of £125, bills of £125, food of £225 and transport of £75. These totally monthly outgoings came to £775. For loans 2 and 3 he provided similar figures which showed his outings were £800 per month.

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 M declared he paid each to his other credit commitments was accurate.

Secondly, excluding the credit commitments and the housing costs Mr M had declared, the total of his other living costs at loan 1 came to £390 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 M, this should have led to monthly living costs of around £804. So, this is the figure Quidie used for its assessment for each of its affordability assessments.

Thirdly, Quidie could see that Mr M's housing costs were higher than the £275 he had declared, these costs were likely around £781 each month.

Overall, and using loan 1 as an example, Quidie used the MAS average of £804, plus the housing costs of £781 plus the credit commitments of £125 which gave total monthly outgoings of £1,710. With an income figure of £2,400 this left £690 per month in disposable income to afford loan 1. The same checks were carried out for loans 2 and 3 which showed disposable income of £671 and £647. 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.

For loan 1, it knew that Mr M had a joint mortgage costing £781 per month – which is the amount used in Quidie's affordability assessment. There were two defaults that had been recorded in 2018 and 2019 but both had been settled by the end of 2020. Given the sector of the market that Quidie operates in I don't think it would've been too concerned about this. It also knew that Mr M didn't have any County Court Judgements.

However, Quidie was on notice that the amount it used for its credit commitments across all of the loans couldn't be accurate. For example, for loan 1 it used a credit commitment figure of £125 and this wasn't accurate.

Quidie was told that Mr M had an outstanding loan which was costing him £201 per month to service and on top of that he had over £8,600 worth of credit card debt – spread across 7 accounts. Of the 7 credit card accounts, 4 of them had been opened between November 2022 and January 2023. Thinking about an estimated monthly repayment of £430 towards the credit card debt this meant Mr M's monthly credit commitments were more likely around £630 per month.

This was information Quidie had available to it, and if you substitute the £630 figure into the monthly living costs and mortgage this meant Mr M's monthly outgoings came to around £2,216. Leaving only around £185 per month in disposable income to afford the contracted payment of around £209.

Therefore, Quidie ought to have realised, based on the information it was provided from the credit reference agencies that Mr M couldn't afford any of his loans. It therefore follows that Quidie shouldn't have lent to Mr M and I've outlined below what it needs to do in order to put things right for him.

The investigator said that perhaps after realising the loans weren't affordable than it ought to have carried out further checks. I can understand why she's said that although Quidie ought to have already realised the loans were unaffordable.

However, had further and more detailed checks been undertaken before each loan, perhaps by reviewing copy bank statements, then Quidie would've still thought Mr M couldn't sustainably repay these loans due unsustainable sources of expenditure that can be seen in the statements.

Customer Service

In Mr M's complaint form, he made a number of points about Quidie not returning calls when it said it would, sending text messages to him instead of calling him and not reacting or helping when Mr M called it to say he had no money as result of making his payment. He requested a refund of the payment he'd made.

Mr M in the investigator's latest view accepted her findings which included the £50 offer. In addition, Quidie had previously also accepted that it should pay this amount. Therefore, this matter doesn't appear to be in dispute, and I say no more about it. But I have, in the section below, included this compensation payment amount in the refund.

Putting things right

In deciding what redress Quidie should fairly pay in this case I've thought about what might have happened had it not lent to Mr M, as I'm satisfied it ought to have. Clearly there are a great many possible, and all hypothetical, answers to that question.

For example, having been declined this lending Mr M 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 now accurately reconstruct. 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 Mr M in a compliant way at this time.

Having thought about all of these possibilities, I'm not persuaded it would be fair or reasonable to conclude that Mr M would more likely than not have taken up any one of these options. So, it wouldn't be fair to now reduce Quidie's liability in this case for what I'm satisfied it has done wrong and should put right.

Quidie shouldn't have lent any of the loans to Mr M so it should do the following.

- A. Quidie should add together the total of the repayments made by Mr M towards interest, fees and charges on these loans.
- B. It should calculate 8% simple interest* on the individual payments made by Mr M which were considered as part of "A", calculated from the date Mr M originally made the payments, to the date the complaint is settled.
- C. It should pay Mr M the total of "A" plus "B".
- D. Quidie should remove any adverse information recorded on Mr M's credit file in relation to these loans.
- E. Pay Mr M £50 compensation that it has already agreed to do.

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

My final decision

For the reasons I've outlined above, I am upholding Mr M's complaint.

Quidie Limited trading as Fernovo should put things right for Miss T as directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 24 May 2024.

Robert Walker
Ombudsman