

The complaint

Miss C complains that Quidie Limited trading as Fernovo (“Quidie”) gave her loans she couldn’t afford to repay and the debt has had an impact on her mental health.

What happened

A summary of Miss C’s borrowing can be found in the table below.

loan number	loan amount	number of instalments	agreement date	repayment date
1	£400.00	3	24/02/2020	18/05/2020
2	£250.00	4	27/05/2020	22/07/2020
break in lending				
3	£300.00	3	03/08/2021	15/10/2021
4	£450.00	3	22/10/2021	17/01/2022
break in lending				
5	£350.00	4	26/07/2022	17/08/2022
6	£400.00	3	20/11/2022	23/01/2023
7	£400.00	3	03/03/2023	12/04/2023
8	£400.00	3	09/05/2023	16/05/2023
9	£600.00	4	26/05/2023	outstanding

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 Miss C could afford the repayments. However, Quidie did say that if Miss C withdrew her complaint, it would reduce the outstanding balance on her final loan by £134. Unhappy with this response, Miss C referred the complaint to the Financial Ombudsman.

The complaint was considered by an investigator. Firstly, she hadn’t seen enough to be able to uphold Miss C’s complaint about loans 1 – 6 considering the gap in the lending relationship. However, the investigator thought loans 7 – 9 ought not to have been granted given the repetitive nature of her borrowing.

Both Quidie and Miss C agreed with the investigator’s recommendation and the complaint was closed. Quidie was told of Miss C’s acceptance on 16 July 2024. On 17 July 2024, Quidie contacted Miss C with refund calculations and outlining what her new outstanding balance was.

However, this refund calculation that was given to Miss C was incorrect, it showed for the final loan, that she still owed over £1,000, despite, according to the calculations having paid £1,200 towards it. Miss C didn’t think that was correct and raised her concerns with the investigator and with Quidie.

Within a matter of hours of Miss C emailing us about the calculation error, Quidie provided new calculations, which showed Miss C still owed £324.58 towards the final loan after removing the interest and taking account of the payments she’d made towards loan 9 as well

as the refund due for loans 7 and 8.

Miss C wasn't happy with the outcome following receiving the new calculations and asked for a final decision because she said despite removing the interest on two loans this lending caused her to be in debt and that she quickly re-borrowed new funds. At this point, Miss C let us know that she was in hospital.

The investigator told Miss C that based on the refund calculations Quidie had provided, they appeared accurate, and she said Quidie was only collecting the capital that it lent for the final loan - £600.

Miss C says the actions of Quidie had caused her significant mental health problems and she provided details of the actions she took to seek help and support. She also received third party advice that all of the loans ought to be upheld.

Miss C then sent further emails, including Quidie's response to her request to have all the loans refunded. It said it had applied the outcome reached by the investigator at the Financial Ombudsman and Miss C's accounts had now been credited. But it didn't think it needed to refund any of the other loans considering the break in borrowing.

As no agreement could be reached, Miss C's complaint was passed to me to resolve. I then issued a provisional decision explaining why I considered the outcome reached by the investigator and agreed with by Quidie was fair and reasonable and so Quidie wasn't required to do any more.

Both parties were asked for further submissions as soon as possible, but in any event, no later than 26 September 2024. Quidie didn't respond to the provisional decision but Miss C did, and I've summarised her response below.

- Although there were breaks in the borrowing, Miss C has had advice that it should be considered as an overall picture – that she had 9 loans.
- The loans were repaid but at the time Miss C had loans from other finance companies and she had payments she had to make to debt collectors.
- Miss C says she was in a cycle of payday borrowing.
- Quidie's responses have been "*inappropriate*" and have been designed to cause distress to Miss C.

A copy of the provisional findings follows in smaller font this and form 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 Miss C could afford to pay back the amounts she'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 Miss 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 Miss C. These factors include:

- Miss 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);
- Miss 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);
- Miss 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 Miss C. The investigator thought this applied from loan seven and Quidie agreed with this.

Quidie was required to establish whether Miss C could sustainably repay the loans – 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 C was able to repay her 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 Miss C's complaint.

I want to start by saying how sorry I am to hear about the impact the settlement of the complaint caused Miss C – but I'm glad to hear that she was able to seek out appropriate support and guidance during this time.

Loans 1 and 2

Before these loans were approved, Quidie asked Miss C for details of her income, which she declared as being £2,100 per month for both 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 Miss 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.

Miss C also provided almost identical expenditure figures for each loan. She declared she had housing costs of £490, credit commitments of £300 per month and £550 of other living costs. This brought his monthly outgoings to £1,340.

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 Miss C paid each month to her other credit commitments was about the same as she had declared for loan 1. Whereas, for loan 2, her commitments have been recorded as being £483 per month.

Secondly, excluding credit commitments and the housing costs Miss C had declared, her other living costs came to around £550 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 Miss C, this should have led to living costs of around £633. So, this is the figure Quidie used for its assessment for each loan.

Overall, Quidie using the MAS average of £633, plus the housing cost of £490 plus the credit commitments of either £315 or £483 and this left at least £494 per month in disposable income to afford the loan repayments. Based on these figures, 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. The headline data for loan one, showed there was a County Court Judgement (CCJ) which had been granted and satisfied in 2014 – so I don't

think that would've been overly concerning for Quidie given the amount of time that had passed.

There were also four defaults, one from 2014, which was satisfied so I don't think that again would've been concerning. There was then one default in 2018 – where Miss C had been paying down at a rate of £50 per month. Then there must have been some difficulties with Miss C's finances in May 2019 – as two accounts defaulted that month. However, one was satisfied in August 2019 and the other one was being repaid. The credit results received for loan two were similar to the ones Quidie received for loan 1.

Those two final defaults were within a year of the loan being granted, but having looked at everything in the round, and taking account there had been other credit which had good repayment history, I don't think in the circumstances of this complaint that the credit check results for these loans would've prompted further checks or led Quidie to decline her applications.

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

Loans 3 and 4

There was then a break in lending of more than a year between Miss C settling loan 2 and returning for loan 3. This is important, because that break is large enough for Quidie to have treated Miss C as if she were a new customer. So, although loan 3 was the third loan it does in effect become loan 1 of the start of a new lending chain.

It also shows that Miss C had sorted out the reason which led her to borrow money in the first place as she didn't need to return for over a year – and shows that she was reliant, at least at this point on the loans from Quidie.

Before Quidie approved these two loans it carried out the same checks that it had done before it approved loans 1 and 2. This time, Miss C declared she earned £2,200 and £2,300 per month. This time Quidie seems to have taken copy payslips and these confirmed that the amount Miss C had declared was accurate.

Miss C was asked the same expenditure questions for both loans, and she declared her total outgoings were £1,020 per month for loan 3 and £1,540 per month for loan 4. Quidie then went about checking this information in the same manner that it did for loans 1 and 2.

This time taking account of housing costs, credit commitments and the MAS figures, Quidie for the purpose of its affordability assessment thought Miss C outgoings came to £1,623 and £1,696 per month. But the figures it used demonstrated Miss C could afford her loan repayments.

Quidie has provided me with the credit search results it received before it granted these two loans. For loan 3, there was no new adverse credit file data and due to the passage of time one of the defaults and the CCJ had dropped off of her credit file. By loan 3, she had a smaller amount of active debt that appeared to be managed well – so there were no indicators that Miss C may have been or was having financial difficulties at the time Quidie advanced the loan.

Miss C's credit report for loan 4 was almost identical except that she had settled a hire purchase agreement which she had previously been repaying. The fact these reports were similar isn't surprising given it was only taken a couple of months later and this also didn't indicate that Miss C was having, or likely having, financial difficulties.

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 Miss C provided to it. And the results of its own checks (which were proportionate) also showed Quidie that Miss C could afford these loans. There also wasn't

anything to suggest that Miss C was having current financial difficulties or to indicate the loan repayment would be unsustainable for her.

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

Loans 5 and 6

There was a further break in the lending relationship as there was a six-month gap between Miss C repaying loan 4 and then returning for loan 5. As before, this had the effect of resetting the lending relationship between her and Quidie.

There was then a smaller gap of 3 months between loans 5 and 6 which, while it may not have been enough to reset the relationship, it is something I've had to think about considering that Miss C's fifth loan ran for little more than a month.

Miss C declared her income was £2,640 and £2,570 for these loans and Quidie verified these figures with copy payslips. For loans taken at the start of a new lending chain these checks were proportionate.

Miss C declared her outgoings were £1,540 per month when loan 5 was granted and £1,740 when loan 6 was given. Quidie then went about cross referencing the information Miss C has provided through the MAS and through the results of its credit search. For loan 5, Quidie didn't make any adjustments to the figure declared by Miss C and it increased her outgoings by a further £43 for loan 6.

In addition, Quidie has also provided copy bank statements that relate to the period of time before loan 5 was granted and I've reviewed these, but the statements don't suggest that Miss C was having or likely having financial difficulties.

Based on the results of its additional checked, Miss C had sufficient disposable income in which to afford her repayments.

Quidie also carried out a credit search and I've reviewed the results. For both loans, there were some missed payment markers on a mail order account, but there had been no known defaults or CCJs and so, although there was some recent adverse payment information, given the marketplace that Quidie operates in, it isn't unusual for lenders to provide loans where there is some recent adverse information. Given what I've seen and the rest of the checks that it carried out I think Quidie's decision to provide these loans was just about reasonable.

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

Loans 7 – 9

Both Quidie and Miss C have already accepted, following the investigator's assessment, that these loans ought to not have been granted and it has told Miss C that the redress set out by the investigator has already been credited to her account. 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 but so both are aware I've repeated below what Quidie has already agreed to do and what it has likely already done.

However, I have thought about what happened in this case when Miss C was given the redress calculation by Quidie.

It may help for me to explain that when a complaint is upheld the Financial Ombudsman – as far as practically possible - attempts to put the consumer into the position they would've have been in had the error not been made. In cases of irresponsible lending, this isn't always possible because funds have already been lent and, in most cases, spent.

We therefore can't just unwind the agreements but what we can do, is ensure that a consumer doesn't pay any interest, fees or charges on the loans that shouldn't have been provided. And if a customer pays more than what they borrowed then it's only fair for that amount to be returned to them.

In this complaint, both parties agreed that loans 7 – 9 ought not to have been granted, and Quidie provided Miss C with a calculation of the redress that it said it would pay – a copy of which has been sent to us. I would add here that the amount of the outstanding balance quoted in the email to Miss C is broadly accurate – but there was a spreadsheet attached to the email and this is where the issues arose.

The redress spreadsheet was incorrect, in as much as the calculations for the final loan suggest that Miss C had already paid £1,200 towards it and yet she still owed £1,040. This is clearly wrong because, that would've meant that Miss C – based on the calculation would've had Miss C repaying Quidie over £2,000 for a £600 loan. This isn't right or in line with the industry cost cap.

And I can see that Miss C flagged this with both Quidie and with the investigator as soon as she discovered that there appeared to be a discrepancy. The investigator contacted Quidie and an updated redress calculation has been provided – which I've looked at to see whether what it has proposed is correct.

And on balance, I'm satisfied the new calculation is correct. Miss C has fully repaid loans 7 and 8 and I can see from the calculations that the difference between the loan value and the amount she did pay is going to be refunded with 8% simple interest. This is in line with the redress framework set out by the investigator in her view.

Loan 9 has to be treated slightly differently, because an outstanding balance remains. The starting point should be that Miss C pays Quidie no more than £600 – which is the amount of capital she borrowed and the amount that Quidie can fairly collect from Miss C – Quidie can't add any further interest, fees or charges to this balance.

From this figure – Quidie needs to deduct the value of payments it has already received from Miss C for loan 9 – which in July 2024 amounted to £160. This brings Miss C's balance down to £440.

To that, the Financial Ombudsman considers it fair that Quidie can use the refunds from loans 7 and 8 to further reduce this balance – and I can see from the calculations that his what it has done. And this further reduced the balance to £324.58.

Based on the calculations and what I'd expect Quidie to do, I'm satisfied that Quidie has followed the framework set out by the investigator and which is repeated below.

This will mean an outstanding balance is still due to be paid, and Miss C may wish to contact Quidie in order to discuss a mutually agreeable way forward. I would also remind Quidie of its obligation to treat Miss C fairly and with forbearance.

Other considerations

I can see after Miss C accepted the investigator's findings that she then chased Quidie to ask them to make the settlement as directed. I can understand why Miss C wanted the settlement arranged as soon as possible, but Quidie was told about the acceptance on 16 July 2024 – and so it's from that point I would look to see what happened.

The following day – on 17 July 2024– the calculations were sent to Miss C – which as I've said above, the text of the email was broadly accurate and gave a good indication of the likely outstanding balance Miss C still owed. But Miss C was more concerned that the calculations Quidie provided showed she was expected to pay over £2,000 for a £600 loan.

Quidie then sent another email on the 17 July 2024, around two hours later – this contained as far as I can see the correct outstanding balance and the correct copy of the calculation spreadsheet. It also clarified what Quidie was going to be doing with the credit file – all of this seem to have been in line with what the investigator had recommended. By late morning on 17 July 2024, given the correct information about what she still owed Quidie. I don't think this was an unreasonable amount of time for Quidie to respond and to clarify the compensation.

Miss C then sent a number of emails to us and to Quidie highlighting that there seems to be an error – and the emails also provided further information about the impact this was having on her mental health and the support that she ultimately sought on the 17 July 2024.

I'm sorry to hear about this and the impact this email and the situation had on Miss C. And while it's unfortunate that there was an error in the compensation calculations had a significant impact on Miss C, I do think that Quidie corrected the error and provided the correct and accurate information as soon as reasonably possible.

And any award that I could make can't be punitive or punish the lender for what it may have done wrong – in this case, providing incorrect information about loan 9. As such, while this error did have a significant impact on Miss C. I also have to consider, in the circumstances of the complaint given how quickly Quidie dealt with the matter, that any award could be considered punitive and so I am not asking Quidie to make any further award. I am therefore not going to be recommending that Quidie pays makes any further award of compensation.

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.

I've considered Miss C's response to the provisional decision, but it hasn't changed my mind about the complaint and I've explained why below. I appreciate this isn't the outcome that Miss C wants.

I can quite understand why Miss C says the complaint should be seen as a whole, and as my part of my thinking about the outcome I did consider that. But it also wouldn't be fair or reasonable for me to ignore the significant breaks in borrowing between the loans and the consequences of those breaks on Quidie's checks.

It is of course possible, that if all the loans were part of the same lending chain that a different outcome may have been reached, but I have to make my decision based on what has actually happened in the individual circumstances of the complaint.

Repaying these loans may have been difficult for Miss C given what she has said about her use of payday loans, but the difficulties weren't reflected in the credit check results Quidie received nor in the information given to Quidie by Miss C or the results of its other checks. And for the reasons I've given Quidie was entitled to rely on the information that it received.

The uphold of the complaint, for loans 7 to 9 does take into account the overall borrowing history and that it was apparent to the investigator that the lending was harmful due to her being stuck in a cycle of borrowing. Based on the checks that Quidie did do before each loan there wasn't anything else to suggest that she was overall, stuck in a cycle of payday borrowing before the point at which the complaint has been upheld.

Overall, having thought about the checks conducted by Quidie before loans 1 to 6 were granted, I'm satisfied that these were proportionate given the circumstances of each application and the checks showed that Miss C would likely be able to afford them.

Quidie has already accepted something went wrong when loans 7 to 9 were granted and the compensation it has agreed to pay and what it has already paid is in line with what the Financial Ombudsman Service asked it to do. So, no further award, is in the circumstances warranted.

I also haven't seen anything to suggest that Quidie's responses have been designed to cause distress to Miss C. Rather, than the emails she received post the investigator's assessment weren't entirely accurate and I've explained my thoughts about that in the provisional decision and my view hasn't changed on this. The information contained with an email was incorrect but Quidie took steps – quickly to rectify the situation, which was reasonable. But I would remind Quidie of its obligations – moving forward to treat Miss C fairly and with forbearance.

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 Miss C 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.

Putting things right

For clarity and completeness, I've set out below exactly what Quidie needs to do and what it has likely already done to put things right for Miss C. If Quidie hasn't already done so it needs to ensure the following is done.

- A. Quidie should add together the total of the repayments made by Miss C towards interest, fees and charges on loans 7 and 8.
- B. It should then calculate 8% simple interest* on the individual payments made by Miss C which were considered as part of "A", calculated from the date Miss C originally made the payments, to the date the complaint is settled.
- C. Quidie should remove all interest, fees and charges from the balance of loan 9, and treat any repayments made by Miss C as though they had been repayments of the principal on the loan. If this results in Miss C having made overpayments then Quidie should refund these overpayments with 8% simple interest* calculated on the overpayments, from the date the overpayments arose, to the date the complaint is settled. Quidie should then refund the amounts calculated in "A" and "B" and move to step "E".
- D. However, if there is still an outstanding balance then the amounts calculated in "A" and "B" should be used to repay any balance remaining on loan 9. If this results in a surplus then the surplus should be paid to Miss C. However, if there is still an outstanding balance then Quidie should try to agree an affordable repayment plan with Miss C.
- E. The overall pattern of Miss C's borrowing for loans 7 - 9 means any information recorded about them is adverse, so Quidie should remove these loans entirely from Miss C's credit file. Quidie doesn't have to remove loan 9 from Miss C's credit file until it has been repaid, but Quidie should still remove any adverse information recorded about it.

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

My final decision

For the reasons I've explained above and in the provisional decision, I'm not going to require Quidie Limited trading as Fernovo to do any more than what it has already done to put things right Miss C as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 1 November 2024.

Robert Walker
Ombudsman