

The complaint

Mr A complains Quidie Limited training as Fernovo irresponsibly lent to him.

What happened

Fernovo provided Mr A with a single loan in June 2024. The loan was for £350 and was due to be repaid over three monthly instalments of £130.06, followed by a final monthly instalment of £133.64. The total amount to be repaid by the end of the loan term, including interest, was £523.82.

One of our investigators reviewed Mr A's complaint. But they didn't think Fernovo had treated Mr A unfairly, and so they didn't recommend that the complaint be upheld.

Mr A didn't agree with the investigator's findings and so the complaint was passed to me to review afresh.

On 19 March 2025, I issued a provisional decision in which I said:

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

The Financial Ombudsman Service has set out its general approach to complaints about irresponsible and unaffordable lending on its website. And, having taken this into account along with everything else I need to consider, I think this complaint should be upheld. I will explain why I've come to this conclusion.

Fernovo 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 Mr A could repay the loan repayments when they fell due and without the need to borrow further. These checks weren't prescriptive, but 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.

So, in keeping with the information on the Financial Ombudsman Service's website, I think there are a number of overarching questions I need to consider when deciding a fair and reasonable outcome given the circumstances of this complaint:

1. *Did Fernovo carry out reasonable and proportionate checks to satisfy itself that Mr A was likely to have been able to repay the borrowing in a sustainable way?*

i. If Fernovo carried out such checks, did it lend to Mr A responsibly using the information it had?

Or

ii. If Fernovo didn't carry out such checks, would appropriate checks have demonstrated that Mr A was unlikely to have been able to repay the

borrowing in a sustainable way?

2. *If relevant, did Mr A lose out as a result of Fernovo's decision to lend to him?*

Did Fernovo carry out reasonable and proportionate checks?

There are many factors that could be relevant when determining how detailed proportionate checks should have been. And while much will depend on the circumstances in question, the more obvious factors include – though aren't necessarily limited to:

- the type of credit Mr A was applying for along with the size, length and cost of the borrowing; and*
- Mr A's financial circumstances – which included his financial history and outlook along with his situation as it was, including signs of vulnerability and/or financial difficulty.*

And generally speaking, I think reasonable and proportionate checks ought to have been more thorough:

- the lower an applicant's income because it could be more difficult to make the repayments as a result;*
- the higher the amount repayable because it could be more difficult to meet a higher repayment, especially from a lower level of income; and*
- the longer the loan term, because the total cost of the credit was likely to have been greater given the longer time over which repayments have to be made.*

As a result, the circumstances in which it was reasonable to conclude that a less detailed affordability assessment was proportionate strike me as being more likely to be limited to applicants whose financial situation was stable and whose borrowing was relatively insignificant and short-lived – especially in the early stages of a lending relationship. I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mr A's complaint.

Like our investigator, I think Fernovo carried out proportionate checks, particularly bearing in mind the amount and length of the lending. Fernovo asked for details of Mr A's income and expenditure and carried out a credit check. It verified his declared income and increased his declared outgoings based on national statistics. From its assessment it concluded Mr A would have £1,516 monthly disposable income and so could afford the loan.

With all of this in mind, I think Fernovo proceeded with a proportionate amount of information. However, once Fernovo had the information it thought it needed, it then had to evaluate it because it still had to reasonably assess whether Mr A could afford to meet the loan repayments in a sustainable way over the term of the loan.

Did Fernovo lend to Mr A responsibly using the information it had?

It is important to be clear that Fernovo was required to establish whether Mr A 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.

The credit search that Fernovo carried out showed Mr A owed £27,585 in unsecured lending. Of this, £23,860 was revolving credit. The credit search revealed there was a total revolving credit utilisation of 98% – which means he was overall, close to his existing credit limits. This was an indication Mr A was having some problems managing his money.

A deeper look at the credit search data Fernovo obtained shows Mr A had eight active credit cards accounts at the time of this application. Five of these accounts were over the limit and further two which were at the limit. And three of accounts (including the only one that wasn't over or at the limit) were in active arrears. Below is a breakdown of the results of Fernovo's credit search insofar as it relates to revolving credit:

Credit Card	Credit Limit	Balance	Active Arrears	Opened
1	£500	£522	No	22/01/2024
2	£200	£199	No	17/02/2024
3	£8,000	£8,214	No	05/10/2021
4	£1,250	£398	Yes (2 months)	04/08/2022
5	£450	£488	No	01/02/2024
6	£3,500	£3,566	Yes (2 months)	05/07/2021
7	£9,200	£9,198	No	13/10/2022
8	£1,200	£1,275	Yes (2 months)	21/07/2022

I recognise – as did Fernovo – that the credit search did not reveal any active defaults or delinquent accounts at the time it agreed to lend. But I think the information it gathered not only called into question the rest of the income and expenditure Fernovo obtained but in itself suggested that Mr A was already struggling to make ends meet and was reliant on borrowing to do so.

In addition to the above, the credit search revealed that Mr A had what appear to be three short-term (payday) loans taken out within the relatively recent past (all loans were settled within four months of the lending in question).

In my view, Fernovo ought to have concluded that there was enough evidence within the checks to indicate that Mr A was likely already having financial difficulties given there were active arrears on three of his credit card accounts and he was over his credit limit with five credit card providers and within a couple of pounds of his limit on a further two cards. I think that these factors – as well as Mr A's high level of indebtedness, high revolving credit balances and recent history of use of short-term payday loans - ought to have alerted Fernovo to the likelihood that Mr A was having problems managing his money, and I think it should have realised that there was a real risk that he'd be unable to repay the loan sustainably, even if the loan may appear affordable on a pounds and pence basis. Indeed, this was borne out by the fact Mr A entered into arrears on this account.

Therefore, looking at things in the round, I don't think Fernovo should have agreed to make the loan to Mr A.

I gave both parties an opportunity to respond to my provisional decision.

In response, Mr A agreed that the loan was irresponsibly granted but felt the final decision

should require Fernovo to cancel the loan entirely, including the principal. In doing so, Mr A has provided detailed submissions about why his financial circumstances at the time Fernovo agreed to lend were such that I ought to depart from our service's normal approach to redress in cases involving irresponsible and/or unaffordable lending.

I would like to thank Mr A for compiling this submission and I would like to reassure him that, whilst I won't reference everything that he has said within my final decision, I have carefully considered it. No discourtesy is meant by this, but it reflects the informal nature of this service in resolving disputes.

Fernovo did not respond to my provisional 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.

As neither party disputed my findings with regards to the lending decision - I see no reason to depart from the conclusions set out in my provisional decision with regards to that aspect of the complaint. This being that I don't think Fernovo should have agreed to make the loan to Mr A.

The only outstanding matter of dispute is how Fernovo should put things right.

Our well-established approach to cases like this is to direct the business to refund the interest and charges to the consumer as the best way of putting them back in the position they would have been in. This is because this strikes the balance between ensuring that the business who made a mistake doesn't profit from that mistake and ensuring the consumer isn't unduly enriched.

There could be circumstances under which I would direct the full balance of the debt to be written off to restore fairness. But those circumstances would be rare and exceptional.

I understand and accept that Mr A was in a difficult financial situation at the time the loan was granted. Indeed, it was this fact led me to the conclusion I reached with regards to the lending decision. However, whilst I don't intend to minimise or otherwise downplay the challenging financial situation Mr A was in - which I have no doubt was incredibly stressful - I don't think his circumstances were so exceptional as to warrant departing from our well-established approach in this case.

Mr A, although he disagrees, has benefitted from taking the loan out. He's had the use of £350 which he wouldn't have done had he not applied for the loan and had it not been (albeit irresponsibly) granted. And I think it is fair that this be repaid.

Having carefully considered everything that has been said by both parties, I uphold this complaint and direct Fernovo to put things right in the way I have set out below.

In reaching my conclusions, I've also considered whether the lending relationship between Fernvo and Mr A might have been unfair to Mr A under section 140A of the Consumer Credit Act 1974.

However, I'm satisfied that what I'm directing Fernovo to do results in fair compensation for Mr A given the overall circumstances of his complaint. For the reasons I've explained, I'm also satisfied that, based on what I've seen, no additional award is appropriate in this case.

Putting things right

To settle this complaint Fernovo should:

- Refund all the interest, charges and fees (including loan fees) Mr A paid on the loan.
- If reworking Mr A's loan account results in him having effectively made payments above the original capital borrowed, then Fernovo should refund these overpayments with 8% simple interest calculated on the overpayments, from the date the overpayments would have arisen, to the date of settlement*.
- If reworking Mr A's loan account results in an outstanding capital balance, Fernovo should try to agree an affordable repayment plan with Mr A.
- Remove any adverse information recorded on Mr A's credit file in relation to the loan, once any outstanding capital balance is repaid.

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

My final decision

For the reasons I've explained, my final decision is that I uphold Mr A's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 13 May 2025.

Ross Phillips
Ombudsman