

## The complaint

Mr P complains that Quidie Limited trading as Fernovo lent to him irresponsibly.

## What happened

Mr P took two loans and this table gives a summary.

Loan	Approved	Amount Repay terms (rounded)	Amount scheduled to be repaid	Status
1	4 June 2024	£500 5 x £141 1 x £137	£841.68 due 29 November 2024	Repaid 5 June 2024 paid £503
2	5 June 2024	£600 (applied for higher) 5 x £168 1 x £164	£1,005.15 due 29 November 2024	In a repayment plan

From correspondence recently received from Fernovo, it appears that Mr P had applied to Fernovo a few times in the recent past – since January 2023 – and the loan applications were not completed and so the funds were not passed over to Mr P.

A loan had been applied for six minutes after receiving confirmation of having paid in full Loan 1 on 5 June 2024. It appears that Mr P wanted £1,000 but Fernovo emailed saying it could offer him the lower amount of £600 and if he wished to proceed to follow instructions given. That application was cancelled as Mr P did not wish to proceed.

Mr P applied for a £600 loan, 30 minutes later on 5 June 2024 which was approved and the funds were credited to his account. This was loan 2.

Mr P complained to Fernovo on 6 June 2024 which was the day after taking loan 2 on 5 June 2024. On 6 June 2024, in his letter of complaint, Mr P said that Fernovo had not carried out credit checks and also said that for loan 2 he'd have to go straight into a repayment plan. He said he'd told Fernovo about his gambling in the past. He said he'd had lots of loans refused from other companies but Fernovo had been one where the application had passed.

On 7 June 2024 Mr P was requesting input from Fernovo about his payment arrangement proposal. This was £30 a month loan and he asked Fernovo to freeze all interest. He authorised the Continuous Payment Authority (CPA) to be amended to £30 payable on the last day of each month. And on 7 June 2024 Mr P received a lengthy email listing all the repayment dates commencing 28 June 2024 to 30 September 2027. It confirmed this repayment plan. Mr P thanked Fernovo for its understanding.

The final response letter (FRL) was dated 14 June 2024 and gave reasons why Fernovo did not consider it had lent to Mr P irresponsibly for either loan.

In that FRL Fernovo made a goodwill offer to reduce his outstanding balance for loan 2 if he agreed to withdraw the complaint from the Financial Ombudsman Service.

Also in the FRL, Fernovo gave Mr P an incentive to repay the outstanding loan 2 as soon as possible – it said it would completely delete all of Mr P's accounts from his credit file once that balance had been repaid.

On 14 June 2024, some correspondence between the parties followed which I refer to in a later part of the decision.

After Mr P had referred his complaint to the Financial Ombudsman Service, one of our investigators responded. Her first view related to whether the complaint could proceed as an arrangement had been made to resolve the complaint before it had been referred to us. Namely that it would reduce the outstanding balance by £10 if Mr P withdrew his complaint. Fernovo said that the agreement entered into with Mr P meant that there was no complaint left for the Financial Ombudsman to review. Fernovo was asking us to dismiss the complaint which is a discretionary power we have.

Our investigator did not think that there had been such a clear and unequivocal agreement that Mr P was aware he had forfeited his right to bring the complaint to the Financial Ombudsman Service.

Fernovo did not ask for an ombudsman's review about this view on the dismissal point. It sent to us all the details surrounding the lending of the loans and so the investigation of the merits progressed. I am proceeding on the basis that Fernovo chose not to pursue that dismissal point anymore. So, I have not reviewed it. At this stage of the investigation the practical way forward is to review the merits of the complaint.

In January 2025, our investigator issued her view about irresponsible lending, in which she did not think that Fernovo had lent irresponsibly to Mr P and so she'd not be asking Fernovo to do anything. Mr P disagreed and it was referred to an ombudsman to review this part.

The unresolved complaint about the irresponsible lending was passed to me to decide. And after I had reviewed it I asked Fernovo for additional information and background details. From which I have been able to read a much more detailed chronology of what had gone on between the parties.

The repayments of £30 a month have continued right up to end of April 2025 and the next one is due end of May 2025.

### **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 Mr P could afford to pay back the amount he'd borrowed without undue difficulty. It needed to do this in a way which was proportionate to the circumstances. Fernovo's checks could've taken into account several different things, such as how much was being lent, the size of the repayments, and Mr P's income and expenditure.

I think in the early 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 Mr P. These factors include:

- 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).
- having many 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).
- coming back for loans shortly after previous borrowing had been repaid (also suggestive of the borrowing becoming unsustainable).

Fernovo was required to establish whether Mr P could *sustainably* repay the loan – not just whether he technically had enough money to make the repayments. Having enough money to make the repayments could of course be an indicator that Mr P 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 P's complaint. I've decided not to uphold this complaint and I explain here.

Having specifically asked for account notes, I have reviewed them all and there's nothing in the notes which shows that Fernovo had been told by Mr P that he had a gambling problem before he applied for the loans. The first time this was raised by Mr P was on 6 June 2024 in his letter of complaint which post-dated the two loan approvals.

### **Loan 1**

Mr P had applied for the loan on 4 June 2024.

Fernovo validated Mr P's identity. He'd declared he was earning around £2,000 each month after tax. Fernovo has explained and demonstrated that it used an industry wide technique of using the credit reference agencies to verify his income was within the range of what Mr P had declared. And the 'income confidence factor' was high for the £2,000 declared.

The credit report Fernovo obtained was dated 31 May 2024 and they used the same one for both loans which is not unreasonable as Mr P took them within a day of each other.

That report indicated that Mr P had a joint mortgage, he'd a couple of current accounts which either had no overdraft on it or a low balance on the overdraft. He had a credit card with a £500 limit and a zero balance. He'd another card which was at its limit but that was a relatively modest £800 limit. He'd an outstanding loan which he'd taken April 2024 the outstanding balance was around £2,400 and the repayments were £101 each month. Mr P had taken another loan in January 2024 for £13,238 which was costing him £226.

It reported that a few years earlier he'd had issues repaying a couple of accounts but they had been settled. So Fernovo had been aware of a historic defaulted account but Mr P had no Judgment debts or any other more recent repayment issues and there were no records of insolvencies. Fernovo is the type of lender for which some adverse data on a credit file is not usually a concern.

Fernovo has explained that it increased the figures of the credit commitment sum as declared by Mr P having carried out the research. And as for Mr P's other usual expenditures it had increased the declared figures by using some statistical data to increase those.

So, its calculations were:

Mortgage	£484
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Credit commitments	£180
ONS expenses figure	£661

So – that gave Mr P a disposable income of £675 and the monthly loan repayment for loan 1 was £141. But I think the credit report it obtained showed that Mr P was paying around £326 for two earlier loans plus he would have had to pay towards an £800 credit card. So, the £180 figure used for loan 1 was too low. Having said that, increasing that figure still would have led to the same outcome – that the new Fernovo loan was affordable.

Fernovo carried out proportionate checks and calculated that Mr P could afford to repay Loan 1. I don't consider that Fernovo lent irresponsibly for Loan 1.

### **Loan 2**

For loan 2 Fernovo had used much the same information as it did for Loan 1. I do think it was odd that Mr P had taken a loan, repaid it, and then applied for another immediately. But as it was only the second loan and as I can see that Fernovo gathered much the same information as for loan 1 for loan 2 then I doubt that would have been an issue for it. Having decided the day before that he could afford loan 1, and when he applied for loan 2 he'd paid off loan 1, then his ability to afford loan 2 which was for the same amount and for the same six month term looked likely.

Fernovo verified the income as it had done for loan 1. It increased the credit commitments and usual expenses figures from the ones declared to it by Mr P. And it considered that the disposable income left over was enough to cover the cost of loan 2.

And Fernovo has explained that

*While the ratio between monthly payment on unsecured loans increased from 9% [loan 1] to 12% [loan 2]. The latest ratio of 12% is still classified as green by [the credit reference agency]. It indicates that the repayments on unsecured debt are under 12% of the verified income. The growth of the ratio is probably linked to our first loan, that was given one day earlier and repaid after one day.*

Considering I have seen from correspondence that Mr P repaid loan 1 the afternoon of 5 June 2024 and then applied for another loan that same afternoon, it's understandable that the ratio figures had increased but would not have accounted for the rapid repay of loan 1. So, I accept Fernovo's submission on that point.

I consider that Fernovo carried out proportionate checks for both loans and it applied the information it had to the applications and neither loan 1 nor loan 2 were lent irresponsibly. I do not uphold Mr P's complaint about irresponsible lending.

### **Had Fernovo treated Mr P fairly**

After I had reviewed the complaint, I asked Fernovo for more information such as account notes and correspondence. I have received those and I have reviewed it all which covers early 2023 to date. From this review I have been able to address the points outlined in the following paragraphs.

### **Withdrawal/cancellation**

I did ask Fernovo whether it ought to have treated Mr P's immediate complaint about Loan 2 as a withdrawal or cancellation of the agreement. But I understand its points made to me which were that Mr P never stipulated that is what he wanted.

I have thought about this and to be an effective withdrawal or cancellation of the agreement Mr P would have had to have communicated that to Fernovo and then repaid the full £600 within a certain time frame – usually 30 days. And as I've seen from the correspondence and account notes that Mr P was asking for a repayment plan immediately then it seemed more likely than not Mr P was not going to be able to do that.

So having asked about that, and having thought about it, I do not take this element any further.

### ***Credit file reporting***

On 10 March 2025 Mr P raised a new issue with Fernovo surrounding the reporting of the loan to his credit file. On 12 March 2025 Fernovo confirmed to Mr P that it had amended his credit file and he'd need to wait for 30 days for the changes to show at his end. Mr P has said no more about it. I do not address that part here as it seems to have been resolved. If it has not been resolved it will need to be a fresh complaint to Fernovo to allow time for it to respond.

### ***Charging of interest since the complaint in June 2024***

I have also considered whether it was fair treatment towards Mr P that since 6 June 2024 it has charged interest until it reached the cost cap (as required in regulations) on 19 November 2024. And I say this because Mr P had raised this interest point as a concern of his more than once and had told it of his gambling and his difficulties from a financial perspective. He had also mentioned other personal matters surrounding his employment and duties at home.

I've seen that Fernovo arranged for the £30 a month repayment plan immediately and Mr P has successfully paid that ever since. On 26 September 2024 Mr P re-started correspondence asking for the daily interest and charges to be stopped. And that the regulations are that a company cannot charge more interest than the original amount. Mr P pointed out that the daily interest was £3.60 which was in effect £108 each month and he was paying £30 each month.

On 27 September 2024 Fernovo responded – offering to suspend collections activity but needed information from him about his current status and circumstances. It confirmed his outstanding balance was £910.40. It gave Mr P a deadline date to reply with that additional information – 26 October 2024.

I've no evidence from those account notes or copy correspondence that he did. Mr P responded to re-ask for confirmation that he could continue repaying at £30 each month and that was confirmed. The end date to the plan was set as late September 2027.

On 19 November 2024 Fernovo confirmed to Mr P that the interest cap had been reached and no further interest would be charged.

From Mr P's complaint form and subsequent correspondence between Fernovo with Mr P it does appear that his financial situation may have deteriorated since the June 2024 loans and so I remind Fernovo to approach the debt with empathy and forbearance.

And I say that because the Statement of Account I have seen indicates that daily interest was re-charged and added to the account for three days in April 2025. And as that was beyond the 19 November 2024 cost cap date then these additional and unnecessary charges in April 2025 (and any since that date) ought to be checked. I say this as an observation going forward.

### **S140A**

I've also considered whether Fernovo acted unfairly or unreasonably in any other way and I have considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think it lent irresponsibly to Mr P or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

**My final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 11 June 2025.

Rachael Williams  
**Ombudsman**