

The complaint

Miss M complains that Fernovo lent to her irresponsibly.

What happened

In October 2024, Miss M took one loan with Fernovo. It was for £300 to be repaid through three monthly instalments of around £105.34, and then one final instalment of around £109.74. The total amount due at the end of the loan term was £425.76.

As I understand it, shortly after taking out the loan Miss M began to experience difficulties keeping up with the repayments. And, as a result, the account is currently in arrears with an outstanding balance of £473.84¹. Noting this is more than the total amount repayable under the terms of the agreement, I presume the current balance includes additional charges applied as a result of the arrears.

In July 2025, Fernovo issued its final response letter in which it did not uphold the complaint. In doing so, it said it carried out reasonable and proportionate checks prior to agreeing to lend, and the output from those checks suggested the loan would have been affordable for Miss M. Fernovo did, however, offer to reduce the outstanding balance by £40 and delete the account from Miss M's credit file once the balance is cleared.

Following further correspondence between both parties, Fernovo said it was willing to increase the offer to reduce the outstanding balance set out in its final response. It was now offering to reduce the outstanding balance by £100.

Unhappy with this, Miss M referred her complaint to our service.

One of our investigators reviewed Miss M's complaint and, having done so, they issued their opinion in November 2025. In short, the investigator did not think Fernovo had acted unfairly when it agreed to lend.

Miss M did not agree. Therefore, the complaint has now been passed to me to decide.

In February 2026, I issued a provisional decision. Here is what I had to say:

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

I've also had regard to the regulator's rules and guidance on responsible lending (set out in its consumer credit handbook – CONC) which lenders, such as Fernovo, need to abide by. I won't set these out in detail here, but the Financial Ombudsman Service has set out its general approach to complaints about irresponsible and unaffordable lending on its website.

And, having taken all of this into account along with everything else I need to consider, I currently think this complaint should be upheld. I'll explain why.

¹ As of November 2025.

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 Miss M 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 Miss M 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 Miss M responsibly using the information it had?*

Or

 - ii. If Fernovo didn't carry out such checks, would appropriate checks have demonstrated that Miss M was unlikely to have been able to repay the borrowing in a sustainable way?**
- 2. If relevant, did Miss M lose out as a result of Fernovo's decision to lend to her?*
- 3. Did Fernovo act unfairly or unreasonably in some other way?*

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 Miss M was applying for along with the size, length and cost of the borrowing; and*
- Miss M's financial circumstances – which included her 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 Miss M's complaint.

Did Fernovo carry out reasonable and proportionate checks?

Prior to agreeing to lend, Miss M was asked to provide details of her residential status, employment status and net monthly income. Miss M declared she was a tenant, employed full-time with a net monthly income of £2,000.

It's not generally considered sufficient to solely rely on the consumers declared income. Indeed, CONC 5.2a.15(2) says: The firm must take reasonable steps to determine the amount, or make a reasonable estimate, of the customer's current income.

And CONC 5.2A.16(3) says: "...it is not generally sufficient to rely solely on a statement of current income made by the customer without independent evidence (for example, in the form of information supplied by a credit reference agency or documentation of a third party supplied by the third party or by the customer)".

In this case, Fernovo did not simply rely on what Miss M had told it about her income. Fernovo obtained Miss M's four most recently weekly payslips to verify her declaration. These payslips showed that, in the four weeks prior to the lending in question, Miss M earned around £2,011.

So, I'm satisfied that Fernovo took reasonable steps to determine Miss M's income (as per the guidance set out in CONC 5.2a.15(2)).

Miss M was also asked to provide details about her monthly expenditure. Miss M declared monthly expenditure of £820 across various categories including rent/mortgage, utility/bills, food, transport, credit commitments and other outgoings.

Fernovo used Office of National Statistics (ONS) data – as well as information obtained from Miss M's credit file - to make an upward adjustment to Miss M's expenses. Having done so, it calculated Miss M's total expenses to be £1,398. Once this figure is deducted from what Fernovo understood to be Miss M's income, it seemed the monthly repayments towards the lending in question (£105.34-£109.74) would be affordable for her.

CONC 5.2A.19(G)(1) says: "For the purpose of considering the customer's non-discretionary expenditure...the firm may take into account statistical data unless it knows or has reasonable cause to suspect that the customer's non-discretionary expenditure is significantly higher than that described in the data or that the data are unlikely to be reasonably representative of the customer's situation".

Thinking about the facts of this case, I'm satisfied Fernovo acted fairly when it relied on this during its affordability assessment.

As I've said, Fernovo also carried out a credit search and it has provided the results it received from the credit reference agency.

With all of that being the case, noting the size of the loan and duration Miss M was expected to maintain repayments, I think Fernovo carried out reasonable and proportionate checks prior to agreeing to lend.

However, whilst I think Fernovo proceeded with a proportionate amount of information, as I've said before, it then had to evaluate it because it still had to reasonably assess whether Miss M could afford to meet the repayments in a sustainable way.

Did Fernovo lend to Miss M responsibly using the information it had?

Based on the information it gathered, Fernovo was satisfied that the repayments for this loan should've been affordable for Miss M on a simple pounds and pence basis.

I've turned to look at the results from the credit check Fernovo carried out.

On my reading of the credit file data Fernovo obtained prior to agreeing to lend, it looks like Miss M had a total unsecured indebtedness of about £2,823 (of which only £329 was in the form of revolving credit) which wouldn't have been of much concern, particularly relative to what Fernovo understood to be her income.

There was a default present on the credit report, but it looks like this was applied around five years prior to the lending in question; so, it could reasonably be considered historic and not reflective of Miss M's current financial circumstances.

However, I think there were other signs on the credit report that Miss M was experiencing difficulty managing her money.

Firstly, on my reading of the credit report, it appears Miss M is in active arrears on a utility bill at the time this loan was approved. This is a priority debt and ought to have caused Fernovo some concern.

Further, it looks like Miss M was over the agreed credit limit and in active arrears on a credit card account, and these arrears had been building in the months prior to the lending in question. Indeed, at the time the lending in question was approved, the arrears were recorded as 'sustained' (having increased from one to three months in arrears immediately prior to the lending question). This suggests Miss M was unable to meet her existing financial commitments and that her financial situation was worsening month on month.

In addition, I note Miss M had also been in sustained arrears on an overdraft just two months prior to the lending in question (the account was settled in September 2024) and had taken out an 'Advance Against Income' loan shortly before Fernovo agreed to lend. I think these factors add weight to the already, in my view, compelling notion that Miss M was struggling financially.

Finally, I note that a mail order account had entered delinquency in November 2023. I recognise this was nearly a year prior to the lending in question, but it looks like Miss M had made only modest inroads into the outstanding debt in that time. Specifically, she had paid off only around £70 of a delinquency balance of £895 in that time (at a rate of roughly £6 per month). Bearing in mind the other indicators of financial hardship present on the report, I think it would have been reasonable to conclude that Miss M was only paying this amount because that is all she could afford to pay, rather than because she was choosing to do so.

I recognise – as did Fernovo – that the credit search did not reveal an indication of any recent defaults, insolvencies or any other public records – such as County Court Judgments at the time it agreed to lend. And I accept that loan in question – and therefore the monthly repayments - were not large and it was repayable over a short period of time. But even with that being the case, 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 Miss M was already struggling to make ends meet.

In other words, there was in my view enough evidence within the checks to indicate that Miss M was experiencing financial difficulties to the extent that Fernovo ought to have realised that there was a real risk that she would be unable to repay the loan sustainably and without having to borrow further, even if the loan may appear affordable on a pounds and pence basis. So, based on the information present on Miss M's credit report, I don't think it should have agreed to lend.

But, even if I'm wrong to suggest that this alone should have been sufficient cause for Fernovo to refuse to lend (and I don't think I am) then, at the very least, the output from the credit file check ought to have prompted further enquiries. So, for completeness, I'll go on to consider what further enquiries might have shown Fernovo if it had conducted them. Fernovo could have obtained a deeper understanding of Miss M's financial circumstances by asking for her bank statements, for example. I think this would have given Fernovo a good understanding of Miss M's overall financial circumstances.

Miss M has provided bank statements for one of her two primary accounts covering the three months before he applied for the lending in question (i.e. July 2024-September 2024). Unfortunately, the other account has since been closed down and Miss M says she is, therefore, unable to obtain statements relating to it. Whilst the bank statements I have been given provide me with only a partial insight into her circumstances as they were at the time, I think there were indicators Miss M was having trouble managing her money.

Specifically, I note Miss M utilised her overdraft almost constantly throughout the period, and often towards the upper end. But, more than this, I note that each month Miss M actually exceeded her arranged overdraft limit. Indeed, in July 2024 she was over the agreed limit for over half of the month and in August 2024 Miss M was over the agreed limit at the beginning at end of the month. I think this ties in with the adverse information present on her credit file and paints a picture of someone who would be experience difficulty sustainably repaying further borrowing.

I asked Miss M about the absence of the usual Direct Debits and Standing Orders one might expect to see on the bank statements (Council Tax, water, communications etc.). Miss M said that "Because I have not been able to pay these charges, there are no payments for Council Tax, water, energy, or other bills showing in my statements." I find this testimony plausible in light of the rest of the information available about her financial circumstances at the time.

As a result, it seems to me that further enquiries (if Fernovo had made them) were likely to have reinforced what the output from credit report suggested. This being that Miss M would not have been able to sustainably make the repayments for this loan without a real risk of undue difficulty and/or having to borrow further. Indeed, I note Miss M has gone to experience difficulty making repayments towards this loan.

With this being the case, I'm provisionally minded to conclude that Fernovo should not have agreed to lend.

Did Fernovo act unfairly or unreasonably in some other way?

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 M in the circumstances of her 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

It's reasonable for Miss M to have repaid the capital amount that she borrowed as she had the benefit of that money. But she has paid interest and charges on a loan that shouldn't have been given to her. So, she has lost out and Fernovo must put things right.

Fernovo should:

- Add up the total amount of money Miss M received as a result of having been given the loan. The repayments Miss M made should be deducted from this amount.*
- If this results in Miss M having paid more than she received, then any overpayment should be refunded along with 8% simple interest (calculated from the date the overpayments were made until the date of settlement*). Fernovo should remove any negative information recorded on Miss M's credit file regarding this loan.*
- Alternatively, if any capital balance remains outstanding, then Fernovo should attempt to arrange an affordable and suitable payment plan with Miss M. Once the balance has been cleared, Fernovo should remove any negative information recorded on Miss M's credit file regarding this loan.*

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

Responses to my provisional decision

I invited both parties to provide further submissions in response to my provisional decision before I finalise my determination.

Both parties responded promptly and well ahead of the deadline I set. I would like to thank both parties for doing so. With that being the case, I see no reason to unnecessarily delay matters by waiting for the deadline to lapse.

Miss M did not agree with the provisional decision. In doing so, Miss M has provided detailed submissions about why her circumstances at the time including high levels of existing debt, unstable living situation and mental health struggles meant that the "*lending was not beneficial to [her] in any way*". As a result, Miss M feels our service should direct Fernovo to write off the entire loan, including the original capital lent.

I would like to thank Miss M for compiling this submission. And I would like to reassure Miss M that, whilst I won't reference everything that she 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 accepted my provisional decision without further comment.

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 Miss M.

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

Our well-established approach in 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 Miss M 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 Miss M was in - which I have no doubt was incredibly stressful - I don't think her circumstances were so exceptional as to warrant departing from our well-established approach in this case.

What's more, I don't think Fernovo had knew – or ought reasonably to have known – about Miss M's challenging personal circumstances (including unstable living situation and mental health struggles) at the time it agreed to make the loan. In that context, I do not think it would be fair for me to rely on those circumstances to recommend Fernovo write-off the entire debt.

Miss M, although she disagrees, has benefitted from taking the loan out. She's had the use of £300 which she wouldn't have done had she 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 Fernovo and Miss M might have been unfair to Miss M 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 Miss M given the overall circumstances of her 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

As I've said, in my view, it is reasonable for Miss M to have repaid the capital amount that she borrowed as she had the benefit of that money. But she has paid interest and charges on a loan that shouldn't have been given to her. So, she has lost out and Fernovo must put things right. Fernovo should:

- Add up the total amount of money Miss M received as a result of having been given the loan. The repayments Miss M made should be deducted from this amount.

- If this results in Miss M having paid more than she received, then any overpayment should be refunded along with 8% simple interest (calculated from the date the overpayments were made until the date of settlement*). Fernovo should remove any negative information recorded on Miss M's credit file regarding this loan.
- Alternatively, if any capital balance remains outstanding, then Fernovo should attempt to arrange an affordable and suitable payment plan with Miss M. Once the balance has been cleared, Fernovo should remove any negative information recorded on Miss M's credit file regarding this loan.

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

My final decision

For the reasons I've explained, my final decision is that I uphold Miss M's complaint about Quidie Limited trading as Fernovo. I direct Quidie Limited trading as Fernovo to take the steps set out above to resolve matters.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 31 March 2026.

Ross Phillips
Ombudsman