

## **The complaint**

Mr U complains Quidie Limited trading as Fernovo ("Quidie") provided him with a loan without carrying out appropriate affordability checks.

## **What happened**

Mr U was granted one loan on 19 August 2022 for £400. Mr U was due to make three instalments of £146.62 and then a final instalment of £150.86. When Quidie provided its file to us, an outstanding balance remained due.

Quidie considered the complaint and concluded it had made a reasonable decision to provide the loan because it had carried out proportionate checks. However, Quidie explained that should Mr U withdraw his complaint then as a gesture of goodwill it would reduce the outstanding balance to £300. It also said that once the loan is repaid, it would be willing to delete the loan from the credit file.

Unhappy with this response, Mr U referred his complaint to the Financial Ombudsman. The complaint was then considered by an adjudicator, who didn't uphold it. He said Quidie had reasonable grounds to believe Mr U could afford the loan and that it had carried out proportionate checks.

Mr U didn't agree and instead asked for an ombudsman's final decision. As no agreement has been reached, the case has been passed to an ombudsman for a final 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 U 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. 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 U'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 U. These factors include:

- Mr U 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 U 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 U 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 U. The adjudicator didn't consider this applied in Mr U's complaint as only one loan was granted.

Quidie was required to establish whether Mr U could *sustainably* repay the loan – 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 U was able to repay his loan sustainably. But it doesn't automatically follow that this is the case.

Industry regulations say that payments are sustainable if they are made without undue difficulties and, made on time, while meeting other reasonable commitments and without having to borrow to make them. If a lender realises, or ought reasonably to have realised, that a borrower won't be able to make their repayments without borrowing further, then it follows that it should conclude those repayments are unsustainable.

I've considered all the arguments, evidence and information provided in this context, and thought about what this means for Mr U's complaint.

Enquires have been made with Quidie about whether the goodwill offer it outlined in the final response letter is still available to Mr U. No response has been received so therefore, not to delay the decision, I've proceeded because I have sufficient information to come to a finding on whether Quidie did all it ought to have done before lending to Mr U. I'll leave it up to Quidie and Mr U to discuss whether such an offer is still available.

Before the loan was approved, Quidie asked Mr U for details of his income, which he declared as being £2,800 per month. Quidie says the income figure was checked by cross referencing information through a third-party report.

Mr U also declared monthly outgoings of £700 for the loan. As part of the application, Quidie used information from its credit search and third-party reports. As a result of this check, Mr U's monthly expenditure was increased by a further £150 per month.

After carrying out these checks, Mr U's disposable income was £1,950 per month in which to afford the loan repayments of around £150. The loan would've looked affordable.

Before the loan was approved Quidie also carried out a credit search and it has provided a summary of the results it received from the credit reference agency. It is worth saying here that although Quidie carried out credit searches, 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.

Having reviewed the credit check results there isn't anything that would've indicated that Mr U was having financial difficulties, for example it knew there were no insolvency markers, defaults recorded within the last three years or debt management plans. There also wasn't anything within the results that indicated Mr U was reliant on these sorts of loans (or home credit loans).

Overall, there was also nothing else in the information that I've seen that would've led Quidie to believe that it needed to go further with its checks – such as verifying the information Mr U

had provided. In my view, it would've been disproportionate for Quidie to have considered bank statements.

Given the evidence provided, I think it was reasonable for Quidie to have relied on the information it received about Mr U's income and expenditure to show he had sufficient disposable income to afford the repayments he was committed to making. There also wasn't anything else to suggest that Mr U was having financial difficulties or that the loan would be unsustainable for him.

I'm therefore not upholding Mr U's complaint.

### **My final decision**

So, for the reasons I've explained above, I'm not upholding Mr U's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr U to accept or reject my decision before 31 August 2023.

Robert Walker  
**Ombudsman**