

The complaint

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

What happened

Mr E complains that Quidie lent 12 loans to him irresponsibly. Mr E's borrowing history is as follows.

Loan number	Start date	Loan amount (£)	Term	Highest repayment (£)	Date repaid
1	25/01/2021	100	3 months	50.91	11/02/2021
2	21/02/2021	100	4 months	42.99	02/03/2021
3	07/03/2021	100	3 months	39.46	01/04/2021
4	25/06/2021	200	3 months	39.46	01/08/2021
5	04/08/2021	300	3 months	120.65	24/11/2021
6	06/12/2021	200	5 months	63.22	12/12/2021
7	16/12/2021	400	3 months	150.07	08/01/2022
8	11/01/2021	300	3 months	116.25	30/01/2022
9	28/02/2022	300	5 months	109.19	02/03/2022
10	17/03/2022	300	5 months	89.85	27/02/2022
11	27/07/2022	300	4 months	129.05	26/08/2022
12	30/10/2022	150	4 months	62.54	-

When Mr E complained to Quidie about all the loans, it didn't uphold his complaint but as a gesture of goodwill, it offered to write off the outstanding balance on loan 12 and remove the loans from Mr E's credit file.

Mr E didn't accept this offer and referred his complaint to the Financial Ombudsman Service, where it was looked at by one of our adjudicators. Our adjudicator didn't think Quidie was wrong to lend loans 1 - 4, she said she didn't have enough information to say Mr E couldn't afford loan 5. However, she thought Quidie shouldn't have lent Mr E loans 6 – 12 as he'd established a pattern of borrowing that suggested he was reliant on this type of credit and the lending had become unsustainable.

Quidie accepted the adjudicator's opinion, but Mr E didn't, he said more loans should be upheld and that Quidie has unjustly registered a default on his credit file for loan 12 and this should be removed.

As the complaint remains unresolved, it has been passed to me – an ombudsman to make a 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 short-term lending - including all of the relevant rules, guidance and good industry practice - on our website.

Quidie needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out reasonable and proportionate checks to make sure Mr E could repay the loans on time, without suffering financial detriment, while meeting other reasonable commitments and without having to borrow to meet the repayments. These checks 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. With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate.

But certain factors might point to the fact that Quidie should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These factors include:

- The *lower* a consumer's 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 *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income).
- The *greater* the number and frequency of loans, and the longer the period of time during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

I think that it is important for me to start by saying that Quidie was required to establish whether Mr E could sustainably repay his loans – not just whether the loan payments were affordable on a strict pounds and pence calculation.

Quidie agrees with the adjudicator's view that it shouldn't have lent loans 6 – 12 and has agreed to make things right for Mr E on those loans in line with the Financial Ombudsman Service's recommendation. This recommendation also means the default and any adverse information recorded on Mr E's credit file as a result of loans 6 – 12 will be removed. I think that addresses Mr E's complaint about the default on loan 12. So, I've focussed my decision on loans 1 - 5 as these are the loans that remain in dispute.

Before lending any of the loans, Quidie has provided evidence to show it asked Mr E about his monthly income and living costs, including credit commitments. It has also provided credit search results for the searches it carried out on Mr E's credit file for each loan.

Mr E declared his income as £1,400 for all loans and his living costs including credit commitments varied between £330 and £510. Mr E declared he lived with his parents at the time of the loans.

Quidie says it verified Mr E's income using credit reference agencies and his verified income varied from £1,343 - £1,575. It also said it relied on data from the Office of National Statistics (ONS) when considering Mr E's living costs. Mr E's credit file provided details of his credit commitments around the time of each loan.

The credit commitments Mr E declared for each loan was obviously less than what the results of the credit search showed, I can see Quidie reacted to this by increasing Mr E's credit commitments compared to what it declared.

Given the loan amounts, repayments and the stage of the lending relationships, I think Quidie's checks for loans 1 - 4 went far enough. Those checks showed Mr E could afford the loan repayments over the term and was left with sufficient disposable income. Although there was some adverse information on Mr E's credit file around the time of these loans, the default and judgement were historic - from 2018 and 2019. Overall, the information on Mr E's credit file didn't suggest he was in financial difficulties, and I don't think Quidie was wrong to lend loans 1 – 4.

I've fully considered the lending decision around loan 5 and from what I can, this was now Mr E's fifth loan around seven months. The results of Quidie's credit search show that Mr E's credit commitments had increased. He declared his income as £1,400 and his living costs as £390. I think given that this was Mr E's fifth loan with the highest loan amount he'd borrowed and Quidie's internal notes showed Mr E had a further four loan applications declined aside from the applications that he'd been approved for, I don't think it was sufficient for Quidie to rely on ONS data or an income checker through the credit reference agency. I think there was enough concern here for Quidie to seek to get a detailed understanding of Mr E's financial circumstances by conducting detailed checks that would have given specific information about Mr E's financial circumstances before lending this loan.

Where I don't think a business checks went far enough, I'd usually consider what it'd have been had it carried out sufficient checks. However, in this case Mr E hasn't provided details of his circumstances at the time such bank statements and so I don't know what Quidie would have found had it sought to obtain detailed information about Mr E's financial circumstances. So, I can't fairly conclude Quidie lent Mr E loan 5 when it shouldn't have.

The adjudicator recommended that Quidie put things right for Mr E in relation to loans 6 – 12 as Mr E showed a pattern of dependence on short term credit. As Quidie has agreed, it needs to put things right for Mr E.

If Quidie has sold the outstanding debt on Mr E's account, it should buy these back if it's able to do so and then take the following steps. If it is unable to buy the debts back, then it should liaise with the new debt owner to achieve the results outlined below. Quidie should:

- A. Add together the total of the repayments made by Mr E towards interest, fees and charges on loans 6 - 11, not including anything already refunded.
- B. Calculate 8% simple interest* on the individual payments made by Mr E which were considered as part of "A", calculated from the date Mr E originally made the payments, to the date the complaint is settled.
- C. Remove all interest, fees and charges from loan 12, and treat any repayments made by Mr E as though they had been repayments of the principal of the loan. If this results in Mr E having made overpayments then Quidie should refund these overpayments with 8% simple interest* calculated on the overpayments, from the date the overpayments would have arisen, to the date the complaint is settled. Quidie should then refund the amounts calculated in "A" and "B" and move to step "E".
- D. If there is still an outstanding balance, then the amounts calculated in "A" and "B" may be used to repay any balance remaining on loan 12. If this results in a surplus, then the surplus should be paid to Mr E. However, if there is still an outstanding balance then Quidie should try to agree an affordable repayment plan with Mr E. Quidie shouldn't pursue outstanding balances made up of principal already written-off.

- E. The overall pattern of Mr E's borrowing for loans 6 - 12 means any information recorded about them is adverse, so Quidie should remove these loans entirely from Mr E's credit file. Quidie should remove loan 12 and any adverse information recorded about loan 12 once the principal been fully repaid.

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

I think Quidie has taken reasonable steps by agreeing to put things right for Mr E in line with the adjudicator's recommendation and I haven't found it was wrong to lend loans 1 – 5. I won't be asking it to do anything further.

My final decision

For the reasons given above, I do not uphold Mr E's complaint about loans 1 – 5. As agreed Quidie Limited trading as Fernovo.com should put things right for Mr E in relation to loans 6 – 12 as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 8 January 2024.

Oyetola Oduola
Ombudsman