

## **The complaint**

Mr M complains that Quidie Limited trading as Fernovo (“Quidie”) provided him with a loan which wasn’t affordable because he had a poor credit score and he had a large amount of debt.

## **What happened**

Mr M was granted one loan on 3 January 2023. He borrowed £300 and was due to make three monthly repayments of £117.16 with a fourth and final payment due of £119.68. Mr M repaid his loan on 29 March 2023.

Quidie considered the complaint and concluded it had made a reasonable decision to provide the loan because it had carried out proportionate checks which showed Mr M should be able to afford it. Unhappy with this response, Mr M referred the complaint to the Financial Ombudsman.

The complaint was considered by an adjudicator, who didn’t uphold it. She said Quidie had reasonable grounds to believe Mr M could afford the loan and that it had carried out proportionate checks including a credit search. There also wasn’t anything else to suggest the loan would be unsustainable for Mr M.

Mr M didn’t agree saying that the loan was lent irresponsibly, and Quidie needed to do more to build a detailed picture of his finances such as asking for copy bank statements. Mr M said the amount of income going towards repaying other debt and the number of outstanding payday loans shows he was reliant on them. Later, Mr M said he was only able to repay the loan by taking out further lending.

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 M 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 M’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 M. These factors include:

- Mr M 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 M 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 M 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 M. The adjudicator didn't consider this applied in Mr M's complaint, and I agree given that there was only one loan.

Quidie was required to establish whether Mr M 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 M was able to repay his loan 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 M's complaint. Having done so, I am satisfied Quidie carried out proportionate checks which demonstrated the loan would be affordable for Mr M.

Before the loan was approved, Quidie asked Mr M for details of his income, which he declared as being £3,800 per month from his full-time employment. Quidie says the income figure was checked by using a third-party report which gave it a high level of confidence that Mr M's declared income was accurate. Given this was the first loan, it was reasonable for Quidie to have relied on the results of its check and so I don't think it needed to have gone further such as by obtaining a copy of Mr M's wage slip.

Mr M also declared total monthly outgoings of £1,300 which was broken down as £925 for housing, £125 utilities, £75 for food, £25 for transport, £25 on 'other' and £125 on credit commitments.

Quidie then went about checking this information. Firstly, Quidie said it used an "affordability" report provided by a credit reference agency and that report indicated that the amount Mr M paid each month for his other credit commitments was more than the £125 he had declared. Based on the results of its checks it increased Mr M's credit commitments to £760 and used this in the affordability assessment.

Secondly, excluding credit commitments and housing costs, Mr M had declared other living costs of £250 per month. Quidie says this is much lower than averages provided by the Money Advice Service (MAS). Using MAS averages for someone in a similar situation to Mr M for example income, age and number of dependents it concluded his living costs should be around £1,254 per month and so this is the figure which was used for Quidie's assessment.

Overall, Quidie using the MAS average of £1,254 for living costs, plus housing costs of £925 and the credit commitments of £760 gives total monthly outgoings of £2,939. With an income figure of £3,800 this left £861 per month in disposable income to afford the largest repayment of around £120. The loan looked affordable.

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

The headline data wouldn't have given Quidie cause for concern, it knew that Mr M didn't have any other forms of insolvency and no County Court Judgements. It also knew that zero accounts had become delinquent within the last year and no defaults have been recorded within the last three years.

Having looked at the open accounts including loans and credit cards, I do think the amount Quidie calculated for Mr M's monthly credit commitments appears to have been accurate. Just on outstanding loans and a mobile phone contract the payments came to £521. Then on top of that Mr M had a number of credit cards that needed servicing.

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 M had provided. So, while Mr M has said bank statements ought to have been reviewed, in this case, it would've been disproportionate for Quidie to have considered them.

Given the evidence provided, I think it was reasonable for Quidie to have relied on the information Mr M gave about his income and expenditure as well as its additional checks it carried out to show he had sufficient disposable income to afford the repayments he was committed to making. Finally, there wasn't anything else to suggest that Mr M was having financial difficulties or that the loan would be unsustainable for him.

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

### **My final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 27 November 2023.

Robert Walker  
**Ombudsman**