

The complaint

Ms F complains that Quidie Limited trading as Fernovo online lending (Fernovo) lent to her irresponsibly.

What happened

Ms F took two loans with Quidie. This brief loan table gives a few details.

Loan	Approved	Amount	Repayments	Total to pay	Repaid
1	7 October 2022	£500	£178.16 x 3 £196.20 x 1	£720.68	12 January 2023 - early
Nine month gap					
2	8 September 2023	£400	£142.21 x 4	£569.85	-

Fernovo has told us that in February 2024 Ms F had repaid £52.40 towards loan 2.

Ms F complained to Fernovo in January 2024 and received its final response letter in February 2024 in which it explained all it had done before agreeing to lend to her. It did not uphold her complaint. As a gesture of goodwill, it said

*'...we are happy to reduce the open balance to £614.60 instead of £710.60
.Repaying this amount will close your balance.'*

And Fernovo said that if the loan was paid off soon then it would completely delete both loan accounts from Ms F's credit file once loan 2 had been repaid. Ms F referred it to the Financial Ombudsman Service in May 2024 where one of our investigators considered the complaint ought not to be upheld. Dissatisfied with this outcome, Ms F asked for an ombudsman to review the complaint and so it was passed to me to decide.

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.

Fernovo had to assess the lending to check if Ms F could afford to pay back the amount she'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 Ms F'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 Ms F. These factors include:

- Ms F 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);
- Ms F 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);
- Ms F coming back for loans shortly after previous borrowing had been repaid (also suggestive of the borrowing becoming unsustainable).
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There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable for Ms F. But a pattern would not have developed here as Ms F took two loans only.

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

Fernovo carried out proportionate checks. It verified her declared income using a credit search related electronic method well used in the industry. Ms F had declared an income of around £4,166 a month after tax, which Fernovo had verified. I do not consider that to have been a low income and the two loans were for modest sums over modest terms. So, it seems reasonable for Fernovo to have initially thought that Mrs F would have been able to sustainably make the loan repayments.

Fernovo also checked Ms F's credit file history both times which did not show any elements to prompt it to be unduly concerned. I add that there are no requirements to do such a credit search. Having done it I am satisfied that Fernovo applied the information it received to the affordability assessment it carried out.

I looked at the credit check results, for loans 1 and 2, and the results indicated Ms F had no defaults in the last 36 months or delinquent accounts in the last 12 months, with no bankruptcies and insolvencies and no County Court Judgments (CCJ). There was nothing there to indicate that Ms F was in financial difficulties or had been falling behind in her payments. For loan 2 there was an indication that Ms F had fallen behind on a utility bill but she had caught up with the payments swiftly. And for a lender such as Fernovo, some adverse history in Ms F's credit history would not have led to it considering it had to do additional checks or to have declined loan 2.

Fernovo also used the information it gathered from Ms F plus statistical data to carry out an Income and Expenditure analysis. It increased the household expenditure figure Ms F had told it. And the total figures led to it assessing that Ms F could afford four payments of just over £178 a month for loan 1 and £142 each month for loan 2 for a short time. Loan 1 had been repaid early and without issue which would have led to Fernovo having few concerns when Ms F returned for loan 2 nine months later. And the gap in the lending would not likely have led Fernovo to consider that Ms F was reliant on credit.

So, I do not consider that Fernovo approached the loan application incorrectly by doing what it did. It gathered information and carried out checks proportionate to each of the loans. It applied the information it gathered to its affordability assessment and approved the loans.

Ms F has told us that she suffers from a condition which '*...makes me vulnerable in terms of financial judgement/stability - and this has exacerbated my situation.*' I have looked at the details Ms F gave to Fernovo when she applied and there's no indication that she had told it about that condition. And so, I can't reasonably expect it to have acted on this.

I do not uphold Ms F's complaint.

It'll be a matter for Ms F to check to see if the offers from Fernovo are still available to her. And I remind Fernovo of the requirement to approach Ms F and her debt with empathy and understanding.

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 Ms F to accept or reject my decision before 11 September 2024.

Rachael Williams
Ombudsman