

The complaint

Mr V complains through a representative that Evergreen Finance London Limited trading as MoneyBoat.co.uk ("MoneyBoat") provided him with a loan without carrying out appropriate affordability checks.

What happened

Mr V was granted one loan on 16 April 2021 for £250. Mr V was due to make three instalments of £117.94. The loan was repaid on 9 July 2021.

MoneyBoat considered the complaint and concluded it had made a reasonable decision to provide the loan because it had carried out proportionate checks which showed it Mr V could afford the repayment. Unhappy with this response, Mr V's representative referred his complaint to the Financial Ombudsman.

The complaint was considered by an adjudicator, who didn't uphold it. She said MoneyBoat had reasonable grounds to believe Mr V could afford the loan and that it had carried out proportionate checks.

Mr V's representative didn't agree and instead asked for an ombudsman's 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.

MoneyBoat had to assess the lending to check if Mr V 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. MoneyBoat'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 V'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 MoneyBoat should have done more to establish that any lending was sustainable for Mr V. These factors include:

- Mr V 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 V 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 V 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 V. The adjudicator didn't consider this applied in Mr V's complaint.

MoneyBoat was required to establish whether Mr V 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 V 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 V's complaint.

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

Mr V also declared monthly outgoings of £700. As part of the application, MoneyBoat used information from its credit search (which I'll come onto discuss below) and / or used information from the "*Common Financial Statement*". As a result, of this check, Mr V's monthly expenditure was increased by £150 per month.

After carrying out these checks, Mr V's disposable income was £1,950 per month in which to afford the loan repayments of around £118. The loan looked affordable.

MoneyBoat 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 MoneyBoat carried out credit searches, there isn't a regulatory requirement to do one, let alone one to a specific standard. But what MoneyBoat couldn't do is carry out a credit search and then not react to the information it received – if necessary.

I've reviewed the credit check results, there isn't anything in any of the results that would've indicated that Mr V 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 else within the results that indicated Mr V was reliant on these sorts of loans (or home credit loans).

Overall, there wasn't nothing else in the information that I've seen that would've led MoneyBoat to believe that it needed to go further with its checks – such as verifying the information Mr V had provided. So, while Mr V's representative has provided his bank statements, in this case, it would've been disproportionate for MoneyBoat to have considered them.

Given the evidence provided, I think it was reasonable for MoneyBoat to have relied on the information Mr V gave about his income and expenditure to show he had sufficient disposable income to afford the repayments he was committed to making for his only loan.

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

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr V to accept or reject my decision before 22 August 2023.

Robert Walker
Ombudsman