

## The complaint

Mrs G, through her representative, complains that Evergreen Finance London Limited, trading as MoneyBoat.co.uk (MoneyBoat), lent to her when she could not afford it and/or could not make the payments sustainably.

## What happened

Mrs G took two loans from MoneyBoat. The loan table here gives some brief detail. The second loan was paid off late.

Loan	Approved	Amount	Instalment amounts (rounded)	Number of repayments	Repaid date
1	4 October 2022	£400	£150	4	25 January 2023
2	1 February 2023	£400	£151	4	10 July 2023

After Mrs G's representative had written to MoneyBoat to complain in July 2023, it sent its final response letter (FRL) in August 2023. It did not uphold her complaint. Dissatisfied with that outcome Mrs G's complaint was referred to the Financial Ombudsman Service.

One of our investigators looked at the complaint and considered that MoneyBoat had carried out proportionate checks and so did not think that the complaint should be upheld.

Mrs G's representative made submissions to us that having reviewed the adverse credit information it did not accept that MoneyBoat had taken reasonable steps to ensure Mrs G could sustainably repay the loans. Mrs G's representative concluded: *'The information from her credit search clearly identifies that she is struggling to meet existing credit requirements.'*

Her representative has sent to us a copy of Mrs G's personal credit file report for July 2023. That would not have been the one MoneyBoat saw when she applied for the loans and so I have not used it.

The unresolved complaint was passed to me to decide. On 2 April 2024 I issued a provisional decision giving reasons why I considered that the complaint should be upheld for Loan 2. The reply deadline was 16 April 2024.

A duplicate of the provisional decision appears later in this final decision in smaller type to differentiate it.

## 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 unaffordable/irresponsible lending - including all the relevant rules, guidance and good industry practice - on our website.

MoneyBoat had to assess the lending to check if Mrs G could afford to pay back the amounts she'd borrowed without undue difficulty. It needed to do this in a way which was proportionate to the circumstances. MoneyBoat's checks could've considered several different things, such as how much was being lent, the size of the repayments, and Mrs G'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 MoneyBoat should have done more to establish that any lending was sustainable for Mrs G

These factors include:

- Mrs G 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).
- Mrs G having a large number of loans and/or having these loans over a long period (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).
- Mrs G 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 Mrs G. I do not consider that any pattern developed here as Mrs G took two loans only.

MoneyBoat was required to establish whether Mrs G could *sustainably* repay the loans – 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 Mrs G was able to repay her loans 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.

### **My provisional decision reasoning dated 2 April 2024**

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

#### *Loan 1*

Mrs G applied to MoneyBoat for the first time in October 2022 and she was a new customer. Reviewing what I have about that loan and the information MoneyBoat had before approving her first loan application then I agree with our investigator. I do not think that MoneyBoat lent irresponsibly. The credit search MoneyBoat carried out led it to increase Mrs G's expenditure figures to be a better reflection of what her total expenses were. Mrs G had informed it that her income was £1,440 each month after tax. It was reasonable for it to rely on the information she gave to it about her income.

I've reviewed the credit search document dated October 2022 obtained by MoneyBoat before lending, and I've seen that she had a joint mortgage for which the payments were up to date. She was close to her maximum on her revolving credit. She had a £557 balance on a mail order account with a limit of £750. She had a joint building society account and two other current accounts in her sole name, one of which had an overdraft facility on it of £400 but a zero balance which suggests at that time it was not being used.

Mrs G had a Hire Purchase (HP) agreement for a car which was the second one she had had. The current HP account had an outstanding balance of around £6,560 with monthly repayments of £139. The repayment record was fine. And this is a different type of lending as its secured on an asset. I noticed she had two credit cards. And looking at the detail it looks to me like Mrs G had moved a balance of £6,687 to a new bank credit card earlier in the year (March 2022) which led to the first credit card having a much lower balance.

My assumption based on experience is that this may well have been a 'zero percentage balance transfer offer' with a view to ringfencing that debt and paying it off slowly without incurring further interest. The limit was £7,300. Usually there's a fee for that sort of transaction. But then, using a later credit search report obtained by MoneyBoat, it appears that Mrs G continued to use both cards. At the time loan 1 was approved MoneyBoat would not have known this but I mention it here as this detail becomes significant for loan 2.

Most of MoneyBoat's customers would have approached it for a solution to a short term cash flow problem and I have received the impression it was much the same reasoning behind Mrs G's application to it for loan 1.

For a first loan, I could see that MoneyBoat carried out proportionate checks and had adjusted the outgoings in line with what it had discovered having done those checks. I do not consider that the loan was approved irresponsibly. I do not uphold this part of Mrs G's complaint.

## *Loan 2*

The second loan was for £400 and for the same term. The repayments were almost the same at just under £151 each month for four payments.

When Mrs G had applied for loan 2 she told MoneyBoat that she earned £1,682 a month after tax and her outgoings were £100 for rent/mortgage, £50 for credit commitments, and £50 for transport. Some of these figures seem low amounts and in the FRL MoneyBoat has given a table in which it demonstrates that it had increased the expenses amounts to £941.

Reviewing the credit results MoneyBoat had obtained at the time then I have seen that Mrs G's situation had moved from having a short term cash flow problem to having absolutely no cash at all. By the February 2023 application for loan 2, the credit report MoneyBoat obtained showed the following:

- the two credit cards I had referred to earlier had increased in balances.
- Mrs G had applied for a new credit card and had a balance of £664 on an £800 limit which demonstrated she'd used the credit up quickly.
- the bank account with the overdraft facility which had shown as a zero balance now was over its limit with a balance of £431 on a £400 limit.
- the HP debt was now in arrears having not been paid for October, November and December 2022.

All this indicates to me that Mrs G was having real difficulty managing her money and was not going to be able to find any spare money at all to be able to repay the MoneyBoat instalments. MoneyBoat had the information available to it which showed that Mrs G was not able to afford the £139 each month for her car and so I doubt she'd be able to find £151 for the loan 2 payment to MoneyBoat, four times over.

This seemed to bear out as it seems that Mrs G paid one instalment for loan 2 late and then was being called and emailed by MoneyBoat for arrears. I know this as I have been sent the MoneyBoat

customer contact notes. Mrs G was telephoned several times on 24 March 2023 and a late fee was charged to her account on 27 March 2023.

I have seen from those customer contact notes that the loan was at risk of being defaulted in June 2023. Whether it was or not is a detail I need not know, as I plan to uphold the complaint about the lending decision for loan 2. The proposed redress will include amending any adverse entries on Mrs G's credit file.

I see that Mrs G paid the debt owed to MoneyBoat on 10 July 2023 by direct bank transfer for £612.18.

My provisional decision is to uphold the complaint about loan 2.

### **What my final decision is**

I gave both MoneyBoat and Mrs G time to respond to my provisional decision.

MoneyBoat has responded to say that it has nothing to add. From that I take it to mean it agrees with my provisional findings.

Mrs G's representative has not responded.

In the circumstances I have no reason to come to a different conclusion. So, for the same reasons given in the provisional decision, duplicated above and which form part of this decision, my final decision is that I uphold Mrs G's complaint in relation to loan 2.

### **Putting things right**

In deciding what redress MoneyBoat should fairly pay in this case I've thought about what might have happened had it stopped lending to Mrs G after loan 1, as I'm satisfied it ought to have. Clearly there are a great many possible, and all hypothetical, answers to that question.

For example, having been declined this lending Mrs G may have simply left matters there, not attempting to obtain the funds from elsewhere – particularly as a relationship existed between them and this particular lender which they may not have had with others. If this wasn't a viable option, they may have looked to borrow the funds from a friend or relative – assuming that was even possible.

Or, they may have decided to approach a third-party lender with the same application, or indeed a different application (i.e. for more or less borrowing). But even if they had done that, the information that would have been available to such a lender and how it would (or ought to have) treated an application which may or may not have been the same, and is impossible to reconstruct now accurately.

From what I've seen in this case, I certainly don't think I can fairly conclude there was a real and substantial chance that a new lender would have been able to lend to Mrs G in a compliant way at this time.

Having thought about all these possibilities, I'm not persuaded it would be fair or reasonable to conclude that Mrs G would more likely than not have taken up any one of these options. So, it wouldn't be fair to now reduce MoneyBoat's liability in this case for what I'm provisionally satisfied it has done wrong and should put right.

MoneyBoat needs to do as follows:

- refund all interest and charges Mrs G paid on loan 2.
- pay interest of 8% simple interest\* a year on any refunded interest and charges from the date they were paid to the date of settlement\*.

- remove any negative information about loan 2 from Mrs G's credit file.

\*HM Revenue & Customs requires Fund Ourselves to take off tax from this interest. It must give Mrs S a certificate showing how much tax it's taken off if she asks for one.

### **My final decision**

My final decision is I uphold the complaint in part and I direct that Evergreen Finance London Limited, trading as MoneyBoat.co.uk (MoneyBoat), does as I have outlined in the '*putting things right*' part of the decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G to accept or reject my decision before 14 May 2024.

Rachael Williams  
**Ombudsman**