

The complaint

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

What happened

Mr P was granted a loan of £300 on 2 March 2020 and he was due to make three monthly instalments of £143.59. Mr P repaid the loan on 30 June 2020 which was one month later than contracted for.

Mr P raised a complaint with MoneyBoat as he felt that the loan should not have been provided to him. MoneyBoat then issued its final response letter and explained why it wasn't going to uphold the complaint. Unhappy with this response, Mr P 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 P could afford the loan because it had carried out proportionate checks.

Mr P didn't agree and asked for the case to be reviewed. As no agreement could be reached, the case has been passed to me for 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 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 P 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 P'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 P. These factors include:

- Mr P 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 P 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 P 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 P. The adjudicator didn't consider it had reached the point in the lending relationship where this applied and I agree, because only one loan was granted.

MoneyBoat was required to establish whether Mr P 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 P was able to repay his loan sustainably. But it doesn't automatically follow that this is the case.

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 P's complaint.

Before the loan was approved, MoneyBoat asked Mr P for details of his income, which he declared as being £1,620 per month. MoneyBoat says the declared income figure was checked by cross referencing information through a third-party report provided by a credit reference agency.

Mr P also declared monthly outgoings as £900 which included things such as rent / mortgage, food, transport and other. As part of the application, MoneyBoat used information from its credit searches and or using the "*Common Financial Statement*" to bring Mr P's declared expenditure in line with the averages within the above statement. As a result, of this check, Mr P's estimated monthly expenditure was increased by a further £128 per month.

But even after carrying out these checks, it showed that Mr P had sufficient disposable income to be able to afford the monthly repayment that he was committed to making.

Before the loan was approved MoneyBoat also carried out a credit search and it has provided a copy of the results it received from the credit reference agency. Having reviewed the credit check results, there isn't anything in the results that would've indicated that Mr P was having current financial difficulties, for example it knew there were no current insolvency markers or debt management plans. And it knew that Mr P hadn't defaulted on any account within the last year.

More than three years before the loan was approved, there were clear signs of financial difficulties because at least seven defaults have been recorded. But while some had been settled, I don't think these defaults alone would've prompted MoneyBoat to have carried out further checks due to how long ago they had been recorded – there were historic.

Having looked at the rest of the credit check results there wasn't anything in my view that would've prompted MoneyBoat to have either carried out further checks or to have declined his application.

In the final response letter MoneyBoat explained that Mr P had made a number of loan applications – 41 in total. I've considered this because that is a high number especially when considering only one loan was advanced.

The majority of these applications were submitted after this loan had been repaid and so have no bearing on the checks that were conducted when the loan was advanced. And while there were some applications made before this loan (between March 2015 and September 2019) these are just too far removed from the start date to have given MoneyBoat cause for concern and so wouldn't have prompted it to have made better checks.

Overall, MoneyBoat carried out reasonable and proportionate checks for a first loan of the value that was lent. These checks showed it that Mr P could afford the loan and so, I don't think it did anything wrong in relation to this loan.

I'm therefore not upholding Mr P's complaint. I appreciate this will come as a disappointment for him but I want to reassure him that I've read and considered everything provided.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 31 October 2023.

Robert Walker
Ombudsman