DRN-4202988

The complaint

Mr G complains Evergreen Finance London Limited trading as MoneyBoat.co.uk ("MoneyBoat") provided him with loans which he couldn't afford.

What happened

Mr G was granted five loans by MoneyBoat, I've outlined his borrowing history below.

loan number	loan amount	agreement date	repayment date	number of instalments	highest repayment per loan
1	£400.00	18/07/2020	24/07/2020	4	£165.12
2	£200.00	15/08/2020	14/01/2021	6	£56.45
3	£500.00	15/01/2021	23/07/2021	6	£162.68
4	£450.00	23/07/2021	26/07/2021	6	£142.33
5	£250.00	27/07/2021	03/08/2021	6	£76.99

MoneyBoat didn't provide a final response to Mr G and so he referred his complaint to the Financial Ombudsman.

Where it was considered by an adjudicator. And she considered MoneyBoat hadn't done anything wrong when loans 1 to 4 were granted. But she did uphold the complaint about loan 5. She said further checks ought to have been carried out, and had MoneyBoat done that, it would've seen that Mr G had paid out a significant sum to other high-cost creditors in the month before the loan. So, the loan wasn't affordable.

MoneyBoat agreed with the adjudicator's assessment.

Mr G didn't agree and instead asked for an ombudsman's final decision saying:

- His outgoings when loans 2 and 3 were granted were more than his income.
- Mr G had a history of taking out payday loans.
- He had "*maxed*" out both his overdraft and his credit cards.
- MoneyBoat ought to have looked at his bank statements.
- He had to make use of a revolving credit facility to make ends meet.

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.

MoneyBoat had to assess the lending to check if Mr G could afford to pay back the amounts 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 G'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 G. These factors include:

- Mr 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);
- Mr G 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 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 Mr G. The adjudicator didn't consider it reached the point in the lending relationship where this applied.

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

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

Loans 1 – 4

Before each loan was approved, MoneyBoat asked Mr G for details of his income, which he declared as being between £1,028 and £1,794.

It is my understanding from reviewing previous MoneyBoat complaints that the income figures were likely checked either by obtaining a copy of the applicant's wage slip or by cross referencing information through a third-party report. Indeed, for this case, MoneyBoat has provided a copy of a wage slip Mr G received in December 2020 – so shortly before loan 3 was approved. This would've led MoneyBoat to believe the income figure he had declared was accurate.

Mr G also declared monthly outgoings as low as £290 when loan 2 was advanced and as high as £410 when loan 5 was granted. As part of the application, MoneyBoat would've likely used information from its credit search (which I'll come onto discuss below) to adjust the declared expenditure Mr G had provided. As a result, of this check, Mr G's monthly expenditure was increased for each loan between £381 and £560 per month.

After carrying out these checks, Mr G's disposable income ranged from £178 at loan 2 to £944 when loan 4 was advanced. And so even when MoneyBoat adjusted the disposable income that Mr G had declared, he still had sufficient income to be able to afford the repayments he had to make.

Before each loan was approved 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.

I've reviewed the credit check results and there isn't anything in any of the results that would've indicated that Mr G was having financial difficulties, for example it knew there were no insolvency markers or debt management plans. There also hadn't been any defaulted accounts recorded within three years of taking out any of the loans. And on his active accounts, his payments were up to date, with no missed payments markers.

By loan 4, Mr G was close to his overdraft limit on one account, but significantly under on another. A consumer being near their overdraft limit on one bank account wouldn't be enough to have prompted MoneyBoat to undertake further checks. And the same can be said for all his credit cards. At times, some of the cards were near the credit limits but that again, in the absence of other adverse data wouldn't have in my view, prompted MoneyBoat to carry out further checks.

In my view, having looked at the credit check results, there wasn't anything that would've prompted MoneyBoat to either have declined the loan applications or to have prompted it to have made better checks.

I've reviewed the income and expenditure information Mr G provided in response to the adjudicator's assessment, and this does seem to suggest that his outgoings exceeded his income. However, this wasn't reflected in the information that either he provided to MoneyBoat or from the results of MoneyBoat's checks. And so I can't fairly say that MoneyBoat ought to have been aware of that.

There wasn't anything 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 G had provided. So, while Mr G has provided his bank statements, in this case, it would've been disproportionate for MoneyBoat to have considered them for the first four loans.

Given the evidence provided, I think it was reasonable for MoneyBoat to have relied on the information Mr G gave it about his income and expenditure to show he had sufficient disposable income to afford the repayments he was committed to making. There also wasn't anything else to suggest that these loans would be unsustainable for him.

I'm therefore not upholding Mr G's complaint about loans 1 – 4.

Loan 5

MoneyBoat has already accepted this loan ought to not have been granted and has agreed with the adjudicator's assessment to put things right. As its accepted that something went wrong with this loan – it's no longer in dispute and it should therefore do what it has agreed to do – which is what I've set out below.

Putting things right

In deciding what redress MoneyBoat should fairly pay in this case I've thought about what might have happened had it not lent loan 5, 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 Mr 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 they would (or ought to have) treated an application which may or may not have been the same is impossible to now accurately reconstruct. 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 Mr G in a compliant way at this time.

Having thought about all of these possibilities, I'm not persuaded it would be fair or reasonable to conclude that Mr 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 satisfied it has done wrong and should put right.

MoneyBoat shouldn't have provided Mr G with loan 5.

A. MoneyBoat should add together the total of the repayments made by Mr G towards interest, fees and charges towards loan 5.
B. MoneyBoat should calculate 8% simple interest* on the individual payments made by Mr G which were considered as part of "A", calculated from the date Mr G originally made the payments, to the date the complaint is settled.
C. MoneyBoat should pay Mr G the total of "A" plus "B".
D. MoneyBoat should remove any adverse information recorded on Mr G's credit file in relation to loan 5.

*HM Revenue & Customs requires MoneyBoat to deduct tax from this interest. MoneyBoat should give Mr G a certificate showing how much tax it has deducted, if he asks for one.

My final decision

So, for the reasons I've explained above, I'm not upholding Mr G's complaint about loans 1 to 4.

But Evergreen Finance London Limited trading as MoneyBoat.co.uk should put things right for Mr G in relation to loan 5 only – as it has agreed to do.

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

Robert Walker
Ombudsman