

## The complaint

Mr A complains through a representative that Evergreen Finance London Limited trading as MoneyBoat.co.uk ("MoneyBoat") failed to conduct proportionate affordability checks prior to lending.

## What happened

A summary of Mr A's borrowing can be found in the table below.

loan number	loan amount	agreement date	repayment date	number of monthly instalments	highest repayment per loan
1	£350.00	16/04/2019	17/04/2019	3	£164.59
2	£300.00	09/05/2019	31/05/2019	5	£96.34
3	£1,500.00	29/07/2019	30/07/2019	6	£465.00
Gap in lending					
4	£800.00	28/02/2020	18/03/2020	6	£246.04
5	£650.00	23/03/2020	Outstanding	6	£207.88

MoneyBoat considered the complaint and concluded it had made a reasonable decision to provide these loans because it had carried out proportionate checks which showed it Mr A could afford them.

However, as a gesture of goodwill it agreed to collect only the capital that was due for loan 5. Unhappy with this response, Mr A's representative referred the complaint to the Financial Ombudsman. Later, MoneyBoat confirmed that as this was a gesture of goodwill, the offer is now no longer available to Mr A.

The complaint was considered by an investigator, who didn't uphold it. Given the break in lending between loans 3 and 4 she didn't think MoneyBoat had done anything wrong when it lent loans 1, 2, 4 and 5.

However, she thought that perhaps by loan 3 further checks ought to have been carried by MoneyBoat around the number of other short-term loans that Mr A may have had outstanding at the time. Having reviewed the credit checks provided by MoneyBoat she was satisfied that it was still reasonable for it to have provided that loan.

Mr A's representative didn't agree with the investigator's assessment, and it said loan 3 ought to be upheld because at the time there were 5 high-cost credit loans within the previous 3 months which shows a dependency on this type of credit. There were also 2 defaults on the credit file, which indicated Mr A was struggling to pay his existing loans.

As no agreement could be reached the case has been passed to me.

## 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 A 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 A'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 A. These factors include:

- Mr A 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 A 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 A 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 A. But I don't consider this applies to Mr A's complaint given the number of loans and the break in the borrowing relationship.

MoneyBoat was required to establish whether Mr A 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 A was able to repay his loans 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 Mr A's complaint.

### **Loans 1, 2, 4 and 5**

Mr A's representative appears to have accepted the investigator's findings that she made, which included not upholding these loans and MoneyBoat also doesn't appear to have disagreed that it wasn't wrong to have approved these loans either.

In my view these loans are no longer in dispute, so I won't be making a detailed finding about them, but I have kept these loans in mind when thinking about the rest of Mr A's borrowing history.

For completeness, this doesn't appear to be unreasonable considering the amount lent and what MoneyBoat knew about Mr A's situation, there was also a significant break in borrowing which had the effect of resetting the lending chain, so loan 4 became the first loan of a new relationship. Based on what I've seen, MoneyBoat didn't make an unreasonable decision to provide these loans.

### **Loan 3**

This is the loan, that Mr A's representative wanted reviewing following the investigator's assessment. The crux of the issue here is that the representative is essentially saying the history of taking out payday loans ought to have led MoneyBoat to realise he was dependent on such credit.

Before the loan was approved, MoneyBoat asked Mr A for details of his income, which he declared as being £1,800 – which was broadly in line with what he had declared for his previous loans. MoneyBoat says the income figures was checked through a third-party report.

Mr A also declared that he had monthly outgoings of £650. My understanding of MoneyBoat's affordability process is that it likely used information from its credit search (which I'll come onto discuss below) and / or from the "*Common Finance Statement*" to adjust the declared expenditure Mr A had provided. For loan 3, MoneyBoat increased Mr A's expenditure by an additional £200 per month. This left disposable monthly income of £950. MoneyBoat would've been confident that Mr A would've likely been able to afford his loan.

Before the loan was approved MoneyBoat also carried out a credit search and it has provided 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.

The credit check results were in my mind were not concerning and so wouldn't have led MoneyBoat to have prompted it to carry out further affordability checks. It knew that in total Mr A had 10 active accounts.

Finally, MoneyBoat knew there wasn't any sign of insolvency, or any defaults within the last three years or delinquent accounts recorded on the credit search.

There was a County Court Judgement (CCJ) but this was recorded around 2 years before the loan was approved and given there had been no new adverse data recorded since I don't think the CCJ on its own would've been enough to have prompted MoneyBoat to have decline the loan application.

For this loan, the adjudicator thought further checks may have been needed especially around whether Mr A had any other active short-term loans. The credit search conducted by MoneyBoat provided some of that information, it knew that Mr A had one active payday loan at the time – costing £88 per month. And I've thought about what the representative says, but there were only 2 closed loans within the last three months. In my view that wasn't enough to have prompted further checks or to have declined Mr A's application.

So, I am not upholding the complaint because even though MoneyBoat may have wanted to have done more before loan 3 was advanced, it was given sufficient information in the credit search results to enable it to make a fair decision to lend. I am therefore not upholding Mr A's complaint.

An outstanding balance still remains due, and I would remind MoneyBoat of its regulatory obligation to treat Mr A fairly and with forbearance if necessary. I now leave it up to Mr A (his representative) and MoneyBoat to discuss a way forward.

### **My final decision**

For the reasons I've outlined above, I am not upholding Mr A's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 8 February 2024.

Robert Walker  
**Ombudsman**