

Complaint

Miss M has complained about high-cost short-term credit instalment loans she took out with Evergreen Finance Limited (trading as "Moneyboat".co.uk). She says Moneyboat should not have provided her with these loans as they were unaffordable because she was already in a significant amount of debt.

Background

Moneyboat provided Miss M with a total of three loans.

All three of the loans Miss M was provided with were for £400. The first of them was taken in February 2019 and was due to be repaid in six monthly instalments. The second of the loans was taken in July 2019 and was due to be repaid in four monthly instalments and the last of loans, taken in October 2019, was also due to be repaid in four monthly instalments.

One of our adjudicators reviewed what Miss M and Moneyboat had told us. And he thought that Moneyboat hadn't treated Miss M unfairly and so didn't uphold the complaint. Miss M disagreed and asked for an ombudsman to look at her complaint.

My findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

We've explained how we handle complaints about short term lending on our website. And I've used this approach to help me decide Miss M's complaint.

Having carefully thought about everything I've been provided with, I'm not upholding Miss M's complaint. I'd like to explain why in a little more detail.

Miss M was provided with high-interest loans, intended for short-term use. So Moneyboat needed to make sure that it didn't provide them irresponsibly. In practice, what this means is that Moneyboat needed to carry out proportionate checks to be able to understand whether any lending was sustainable for Miss M before providing it.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify that information – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

Moneyboat says it agreed to Miss M's applications after she'd provided details of her

monthly income and expenditure and it obtained copies of payslips from her. It says the information Miss M provided on her income and expenditure showed that she'd be able to comfortably make the repayments she was committing to. And in these circumstances it was reasonable to lend on each occasion. On the other hand, Miss M says that the loans were unaffordable.

I've carefully thought about what Miss M and Moneyboat have said. The first thing for me to say is that these loans were Miss M's first loans with Moneyboat and the total period of time Miss M was expected to be indebted to Moneyboat was for around a year. Equally, the loan amounts did not increase too.

So Miss M was only ever intended to be indebted to Moneyboat for the period this type of lending is supposed to be provided for. And I don't think that the number of loans provided in itself means that Moneyboat ought reasonably to have realised that that it might have been increasing Miss M's indebtedness in a way that was unsustainable or otherwise harmful.

The information provided does suggest that Miss M was asked to provide details of her income and expenditure. Bearing in mind the amount of the monthly repayment, the questions Moneyboat asked Miss M and these were Miss M's first loans, I don't think it was unreasonable for Moneyboat to rely on the information Miss M was providing.

Furthermore, even if Moneyboat had been expected to ask for more information by the time of the third loan, at best it would have had to ask more about Miss M's regular living costs. And I've not been provided with anything that clearly shows me Moneyboat being in receipt of this information would have led to it reach a different answer on this case.

I accept that Miss M's actual circumstances may not have been reflected either in the information she provided, or the other information Moneyboat obtained. And I'm sorry to hear that Miss M was struggling financially, that she found it difficult to repay her loans and she ended up repaying loan 3 through a debt management plan.

But Moneyboat didn't know any of this. And it could only make its decisions based on the information it had available at the time. At this stage of the lending relationship, I don't think proportionate checks would've extended into Moneyboat asking Miss M to provide evidence such as bank statements to verify what she was declaring.

Equally it's only really fair for me to uphold a complaint where I can safely say a lender did something wrong. And, in this case, I don't think that Moneyboat did anything wrong in deciding to lend to Miss M - it carried out reasonable checks even though it looks like the information it might've been provided with was inaccurate and I've not seen anything to indicate further verification of Miss M's regular living costs would have led to it reaching a different outcome here.

Moneyboat reasonably relied on the information provided with and given the amount of the repayments involved and the overall circumstances of Miss M's loan history, I don't think it was unreasonable for Moneyboat to lend – especially as there wasn't anything obvious, in the information it had, to suggest Miss M wouldn't be able to sustainably repay these loans.

So overall and having considered everything, I don't think that Moneyboat acted unfairly or unreasonably when provided Miss M's loans. And I'm therefore not upholding Miss M's complaint. I appreciate that this will be very disappointing for Miss M. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Miss M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 5 February 2024.

Jeshen Narayanan
Ombudsman