

The complaint

Mr S complains that Evergreen Finance London Limited, trading as MoneyBoat.co.uk, lent to him irresponsibly.

What happened

Using records from MoneyBoat here is a loan table:

Loan	Approved	Amount	Term & Repayments (monthly)	Closed
1	13 October 2021	£800	195 days 6 x £266.20	28 April 2022
2	9 June 2022	£700	172 days 6 x £202.75	March 2023

The last payment for loan 2 was due on 28 November 2022. Up to 27 January 2023 Mr S had repaid £1,064.41 of the loan. It seems that Mr S had been paying reduced repayments on loan 1 from 14 January 2022 and reduced repayment amounts from the beginning for loan 2 – 28 June 2022.

Mr S called us in March 2023 to say that the last payment he would be making was in March 2023, and the agreement was due to end. Using that information, it's likely that the account is closed.

After Mr S had complained to MoneyBoat it issued him with its final response letter on 7 October 2022. Mr S responded to the MoneyBoat complaints manager saying he was not content and so MoneyBoat reviewed it on 10 October 2022 and wrote again to Mr S. I've seen that email and I come back to the repayment pattern later in the decision.

Mr S referred it to the Financial Ombudsman Service in October 2022 and one of our adjudicators looked at it in April 2023. She thought that MoneyBoat had done all it should have done and did not think it needed to put things right.

Mr S replied to say that he's complaining about the second loan and so it seems he was content with the non-uphold outcome for loan 1. Mr S also said that he did not think that MoneyBoat had '*adequately assessed my ability to repay the loan*'.

Mr S sent to us his credit file report (obtained by Mr S recently) and said that

‘...the lender did not go into detail about the nature of my expenses, nor did it verify my wages through a wage slip or something similar. This failure to adequately verify my financial situation and ability to repay the loan led to significant financial hardship for me.’

Mr S added that the interest on the loan was so high that it made it difficult for him to keep up with the payments. He says he had to borrow elsewhere to do it. He had to enter an arrangement to pay it off.

As I said earlier it seems that Mr S has paid that loan off recently – March 2023.

The unresolved complaint was passed to me to decide.

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 S 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’ve taken into account a number of different things, such as how much was being lent, the size of the repayments, and Mr 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 Mr S. These factors include:

- Mr S 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 S having many 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 S 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 S.

MoneyBoat was required to establish whether Mr S 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 S 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 S' complaint.

Mr S has told us the complaint is for loan 2 and so it seems he's content with the outcome for loan 1. So, this decision has been focussed on loan 2. But I have taken the existence of loan 1 into account when considering the overall lending relationship.

After loan 1 had been repaid then Mr S applied for a second loan a few weeks later. Our adjudicator is correct that the few weeks between paying off loan 1 and reapplying for fresh credit will have been an indicator to MoneyBoat that Mr S was not a customer whose finances were out of control or that Mr S was likely to have been in financial difficulties.

Having said that, I have reviewed the repayment history for the first loan which was a little odd. It has been explained more fully in MoneyBoat's email to Mr S on 10 October 2022, a copy of which I have seen. It went into more detail on the repayment history and corrected an error in the FRL so I have set out here in full the relevant part:

'You had two loans with a gap of six weeks between them ~ I see there an error in the FRL (apologies - but it doesn't affect the outcome) - I see that I said loan 1 was repaid early - in fact it was a few days after the agreed date, but this was not due to serious financial issues. You had asked for help over the Christmas period, not unusual, and after that (in January) you made a sizeable lump sum payment of £450 which resulted in a change to the schedule. You subsequently repaid [sic] the loan and then asked for loan 2 after a gap in lending, for a lower sum.'

The repayment records for loan 1 show me that Mr S paid two monthly instalments in line with the agreement - £266.30 – before Christmas in 2021, then £450 on 14 January 2022, followed by four payments between 26 January 2022 and 28 April 2022 ranging from £110.68 to £113.09. These appear to have been arranged in such a way as Mr S was keen for his credit file not to be affected. It seems that it was not.

The total amount paid on loan 1 was £1,430.87 and the agreement for loan 1 had scheduled he would repay was:

'The total amount payable by you is: £1,597.70, which consists of the total amount of credit borrowed plus the calculated interest.'

So, it seems Mr S paid less than the original agreement for loan 1.

The upshot from all this correspondence is not that Mr S was in financial difficulty but that his payments for loan 1 were rearranged.

When Mr S applied for loan 2 six weeks later, payslips were obtained by MoneyBoat and a credit search carried out. Mr S earned around £1,400 each month. Mr S has said that it did not do proper checks but the account notes show that MoneyBoat asked for and received payslips from Mr S for both loans which confirmed his employer and his net salary. So, I do not agree with Mr S on these points.

The credit search carried out by MoneyBoat in June 2022 showed less overall debt from when Mr S had applied for loan 1 in October 2021. It had reduced from an overall debt balance of £13,875 to £7,159 which was effectively almost a 50% reduction.

The credit search in June 2022 showed that Mr S' *'balance to limit ratio'* had increased to 94% in relation to the revolving credit balances he had. But he had only opened three accounts in total in the previous six months and had carried out six searches which were not high figures.

So, from MoneyBoat's perspective, I consider that it carried out proportionate checks considering there was a gap between paying loan 1 off successfully and reapplying for loan 2. Plus Mr S was asking for less money than for loan 1. The repayments were due to be less monthly commitment than loan 1. And his credit file overall had a smaller debt balance than in October 2021.

I have noticed that before the first scheduled repayment on 28 June 2022, Mr S emailed MoneyBoat on 27 June 2022 to say he was in financial difficulties and would have to repay smaller amounts each month. Mr S cancelled the Continuous Payment Authority (CPA) on the same day. But as this took place after the loan had been approved it is broadly irrelevant for the purposes of what I am being asked to consider – which relates to the lending decision in June 2022.

Mr S has sent to us his personal copy credit file report dated June 2022 and it may not show all the information that MoneyBoat may have obtained in its own credit searches. So it's fair and reasonable that when considering a complaint about irresponsible lending I look at and review the information MoneyBoat actually saw and not the information Mr S thinks it should have seen. Information held with each credit reference agency can differ.

For the reasons given, I do not uphold Mr S' complaint.

My final decision

My final decision is that I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 7 August 2023.

Rachael Williams
Ombudsman