

## **The complaint**

Mr S 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 S was granted a loan for £800 on 23 March 2023 and he was due to make six monthly instalments of £245.70. Mr S has had some problems repaying this loan and MoneyBoat says an outstanding balance remains due.

Following Mr S's complaint, MoneyBoat issued its final response letter on this matter on 28 March 2023. It considered the complaint and concluded it had made a reasonable decision to provide the loan because it had carried out proportionate checks. It also explained why it wouldn't have needed to review Mr S's bank statement. Unhappy with this response, Mr S 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 S could afford the loans because it had carried out proportionate checks.

Mr S didn't agree, in summary he said:

- The adjudicator hadn't reviewed the credit report MoneyBoat received as part of its checks.
- Although further documents ought to have been gathered by MoneyBoat, the information that it did have showed a number of concerning issues such as the number of defaults and open and closed credit cards and the previous 18 months.
- Mr S had also taken cash advances of £6,000 from his credit cards.

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 S 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 S'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 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 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 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. The adjudicator didn't consider it 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 S 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 S 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 S's complaint.

Before the loan was approved, MoneyBoat asked Mr S for details of his income, which he declared as being £1,924 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 S has also confirmed he provided a copy of a wage slip before the loan as advanced – but a copy of which hasn't been provided by MoneyBoat. But overall, it would seem, given this, that the declared monthly income was likely to be accurate.

Mr S also declared monthly outgoings as £745 across a number of different variables such as rent / mortgage, food, transport and other. As part of his application Mr S declared he had no existing credit commitments.

MoneyBoat then used information from its credit searches and or using the "*Common Financial Statement*" to bring Mr S's declared expenditure in line with the averages within the above statement. As a result, of this check, Mr S's monthly expenditure was increased by a further £105 per month. But even after carrying out these checks, Mr S 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. 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.

Having reviewed the credit check results, there isn't anything that would've indicated that Mr S was having current financial difficulties, for example it knew there were no current insolvency markers or debt management plans. And it also knew that Mr S hadn't defaulted on any account within the last year.

However, there were clear signs that between July 2018 and February 2019 Mr S had significant financial difficulties, because there were three defaults recorded in the credit report MoneyBoat was given. And while only one default had been settled, I don't think these defaults alone would've prompted MoneyBoat to have carried out further checks.

Indeed, it's my view the defaults were sufficiently long ago for MoneyBoat to not to have been overly concerned by them and I say this because defaults recorded around four years before the loan aren't an indication that Mr S was having current difficulties.

In addition to the defaults Mr S had total outstanding debts of £3,684 – which is fairly modest and actually he was utilising only 13% of his available revolving credit – which in my view is a low amount. And therefore, this isn't high enough to have triggered further checks and it didn't suggest Mr S was overindebted.

MoneyBoat was aware that Mr S had three active credit cards – all of which had been opened in 2022. However, two of the cards, according to the report, didn't have any balances on them. And on the other card Mr S only owed £239 – which isn't a particularly large amount.

Mr S's main point is that the credit report showed that over the last 12 months he had taken cash advanced (from his credit cards) of around £4,300. I accept that this amount was larger over the last three years – but that would've been too long before the loan was advanced for MoneyBoat to have been worried about. I can see from the credit report that these advances weren't taken all from one card. Indeed, one of the credit cards, that was showing as a zero balance Mr S had taken a cash advance from in February 2023 – so only a month before this loan.

I can understand why Mr S says that the number and value of cash advancements ought to have been of concern for MoneyBoat. And I agree in as far as that Mr S needed to obtain further funds during the month and he was doing so through his credit cards. But having thought carefully about this, I don't think the cash advances would've triggered further checks especially when the income and expenditure information – which was proportionate to have gathered showed the loan to be affordable and there wasn't as far as the credit report showed any adverse payment information.

Mr S was making use of his overdraft, I can see from the recorded balances on the credit file, that the amount of overdraft fluctuated – and as recently as November 2022 it seems he wasn't using it at all. So, I don't think MoneyBoat would've or ought to have been concerned by this.

Finally, there wasn't any indication from the credit report that Mr S was reliant on high-cost short term credit and I say this because he had only opened one new credit facility within the last six months. And typically, a sign of someone who is reliant on this type of lending would have had more. And again, I can't fairly say that one recently opened credit account ought to have led to further checks.

I've outlined earlier on in the decision some of the factors that could lead to MoneyBoat carrying out further checks, and while this isn't an exhaustive list, I haven't seen enough in the information either MoneyBoat was provided with or what Mr S declared to it that ought to have led it to carry out further checks or to have declined his application.

I appreciate Mr S will disagree with that, but I've considered the credit report in light of all of the other information MoneyBoat had and also kept in mind that MoneyBoat operates in a sector of the market where it is unlikely that every customer will have an adverse free credit file or score.

In this case, thinking about the recent payment information, no recent history of opening lots of new accounts and there was a low credit utilisation. I do think MoneyBoat made a fair decision to lend and didn't need to do any further checks before advancing the loan.

So, while Mr S has provided copy bank statements, in the circumstances of this case, it would've been disproportionate for MoneyBoat to have considered them. I also don't think the credit check results were sufficiently concerning for MoneyBoat to have led it declining his application for credit.

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

I'm therefore not upholding Mr S'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.

Based on the information provided, an outstanding balance likely remains due and I would remind MoneyBoat of its obligation to treat Mr S fairly and with forbearance when discussing a way forward to repay what is owed.

### **My final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 18 October 2023.

Robert Walker  
**Ombudsman**