

## **The complaint**

Mr H complains that the loan he had from Evergreen Finance London Limited (trading as Moneyboat) was unaffordable to him.

## **What happened**

Mr H borrowed £500 from Moneyboat on 3 June 2019. The loan was due to be repaid by three monthly instalments of £238.75 with the last payment due on 30 August 2019. Mr H settled the loan on 4 September 2019.

Mr H says Moneyboat didn't do appropriate affordability checks before it approved the loan. He says he couldn't afford the repayments and this has contributed to a poor credit record meaning his mortgage payments are much higher as a result.

Moneyboat says it conducted a credit check and asked Mr H about his income and expenditure. It says it verified Mr H's income and employment with external data sources and its checks showed Mr H had enough disposable income to sustainably meet the repayments due on the loan. Moneyboat adds that Mr H chose to repay the loan over three months, rather than up to six, thereby increasing the monthly repayments and that he then went on to repay the loan on time.

Our adjudicator did not recommend the complaint should be upheld. She was satisfied that Moneyboat carried out proportionate checks and there was nothing in the available information to indicate Mr H was struggling to manage his money.

Mr H responded to say, in summary, that his credit file showed he had taken out £50,000 of debt over two years, all with high interest rates. He says if Moneyboat had checked his bank statements they would have shown a serious gambling problem. Mr H adds that it was highly improbable that enough checks were carried out as the loan was approved almost instantaneously.

## **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 short-term lending - including all of the relevant rules, guidance and good industry practice - on our website.

Moneyboat needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure that Mr H could repay the loan in a sustainable manner. These checks could take into account a

number of different things, such as how much was being lent, the repayment amounts and the consumer's income and expenditure. With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate.

But certain factors might point to the fact that Moneyboat should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These factors include:

- the *lower* a customer's 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 *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the *greater* the number and frequency of loans, and the longer the period of time during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

I think that it is important for me to start by saying that Moneyboat was required to establish whether Mr H could sustainably repay his loan – not just whether the loan payments were affordable on a strict pounds and pence calculation.

Of course the loan payments being affordable on this basis might be an indication a consumer could sustainably make their repayments. But it doesn't automatically follow this is the case. This is because the Consumer Credit Sourcebook ("CONC") defines sustainable as being without undue difficulties and in particular the customer should be able to make repayments on time, while meeting other reasonable commitments; as well as without having to borrow to meet the repayments.

And it follows that a lender should realise, or it ought fairly and reasonably to realise, that a borrower won't be able to make their repayments sustainably if they're unlikely to be able to make their repayments without borrowing further.

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

When Mr H applied for his loan, I can see Moneyboat asked him about his income and expenditure and checked his credit file. I have seen the results of Moneyboat's credit check and it shows:

- Mr H had a total balance of around £34,000 on 8 accounts:
  - £27,000 on loans;
  - £6,300 on a credit card;

- £700 on an overdraft and a telecoms account;
- There were no defaulted accounts;
- Two accounts were one payment in arrears;
- Mr H used his £500 overdraft facility intermittently;
- Mr H made payments to his credit card that were significantly above the minimum required.

Based on the above, I find Moneyboat should have realised that Mr M had significantly understated his credit commitments. In fact, his monthly commitment to credit repayments was around £1,700, as compared with the £600 he'd declared. But I consider it likely that Moneyboat would still have found the loan affordable as, even with this adjusted credit expenditure, Mr H's disposable income was around £1,250 based on his declared figures. I accept what Mr H says about his total credit, but I don't find £34,000 is unreasonable for someone with an income of over £4,000 per month. Mr H had only used his overdraft for four out of the preceding eight months and had reduced his credit card balance by around £2,000 in the previous month.

I acknowledge Mr H says Moneyboat would have seen he had a gambling issue had it looked at his bank statements, but I don't consider it needed to do that level of checks based on the information it already had.

So I can't conclude there was anything in the available information to indicate Mr M was struggling to manage his money, or that Moneyboat should carry out further checks. I consider the checks were proportionate to the circumstances of the lending and I find it was reasonable for Moneyboat to find the loan was affordable and that it made a fair lending decision.

### **My final decision**

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 25 March 2021.

Amanda Williams

**Ombudsman**