

The complaint

Miss R says Evergreen Finance London Limited trading as MoneyBoat.co.uk lent to her irresponsibly. She says that she couldn't afford to repay the lending and she needed to borrow further to make the repayments. She says Moneyboat.co.uk should have found out about this and not lent to her.

What happened

This complaint is about one instalment loan Moneyboat.co.uk provided to Miss R in October 2019. Miss R borrowed £750. This was due to be repaid in six monthly instalments of £208. I understand Miss R hasn't fully repaid this loan.

Our adjudicator upheld the complaint because he thought that Moneyboat.co.uk had information that showed Miss R was in financial difficulty. And better checks would've confirmed this.

Moneyboat.co.uk disagreed with the adjudicator's opinion. It said that, whilst the credit reference agency information did show Miss R had other financial commitments, it wouldn't be practical to fully review all of the information it had before approving this loan. This was partly due to its automated processes, and partly as it said its consumers require a quick decision about lending. And it said that some of the existing commitments shown on the credit report were due to have finished before the repayments to the Moneyboat.co.uk loan started.

As no agreement has been reached the complaint 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.

Moneyboat.co.uk 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 Miss R could repay the loans 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.co.uk 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 don't disagree that Miss R's declared income of £2,250, against an expenditure of £800, would've made the loan seem initially affordable to Moneyboat.co.uk

But as our adjudicator explained, Moneyboat.co.uk's credit checks showed that Miss R already had significant amounts of other lending of various types. This report shows she had repayments to make of not far short of £1,000. So, I think there was enough evidence of financial problems to say that Moneyboat.co.uk should've looked further into Miss R's circumstances.

Moneyboat.co.uk has said that it didn't fully consider the information it had about Miss R before lending. This was to ensure that it provided a quick and efficient service to her. And it also says that the FCA guidance does not say that it needed to look at each line of a credit file in respect of each loan, particularly early on in the lending relationship.

But Moneyboat.co.uk had information that showed Miss R was possibly in financial difficulty. And having looked at the credit file information Moneyboat.co.uk has supplied I don't think it's difficult to see this. The first few pages of the credit file information Moneyboat.co.uk has supplied show that Miss R had significant amounts of other lending. There is more detail about this later in the report.

I think it's reasonable to say that this information was easily accessible to Moneyboat.co.uk. And it follows that it's also reasonable to say that Moneyboat.co.uk should have fully considered it.

As our adjudicator explained, a proportionate check before approving this loan would most likely have shown that Miss R did have significant amounts of debt including other short-term loans and high cost credit. She was making repayments to all of this debt which would have affected her ability to repay the Moneyboat.co.uk loan. I can see repayments and or deposits from around eight other high cost and short-term credit providers in the months leading up to the Moneyboat.co.uk loan.

So even if some of this credit was due to be repaid before this loan, I don't think it's reasonable to say she was borrowing sustainably. And her bank statements show that she had other financial and related problems and she was struggling to make ends meet at times.

I think that Moneyboat.co.uk would've found out this information if it had made proportionate checks. And I think Moneyboat.co.uk would've seen Miss R wouldn't have been able repay this loan in a sustainable way. So, I think that Moneyboat.co.uk shouldn't have given this loan to Miss R and I think she's lost out as a result of this. I'm upholding Miss R's complaint.

Putting things right

In deciding what redress Moneyboat.co.uk should fairly pay in this case I've thought about what might have happened had it not lent to Miss R. Clearly there are a great many possible, and all hypothetical, answers to that question.

For example, having been declined this lending Miss R may have simply left matters there, not attempting to obtain the funds from elsewhere. If this wasn't a viable option, she may have looked to borrow the funds from a friend or relative – assuming that was even possible.

Or, she may have decided to approach a third-party lender with the same application, or indeed a different application (i.e. for more or less borrowing). But even if they had done that, the information that would have been available to such a lender and how they would (or ought to have) treated an application which may or may not have been the same is impossible to now accurately reconstruct. From what I've seen in this case, I certainly don't think I can fairly conclude there was a real and substantial chance that a new lender would have been able to lend to Miss R in a compliant way at this time.

Having thought about all of these possibilities, I'm not persuaded it would be fair or reasonable to conclude that Miss R would more likely than not have taken up any one of these options. So it wouldn't be fair to now reduce Moneyboat.co.uk's liability in this case for what I'm satisfied it has done wrong and should put right.

Moneyboat.co.uk shouldn't have given Miss R this loan.

If Moneyboat.co.uk has sold the outstanding debts Moneyboat.co.uk should buy these back if it is able to do so and then take the following steps. If Moneyboat.co.uk is not able to buy the debts back then Moneyboat.co.uk should liaise with the new debt owner to achieve the results outlined below.

A) Moneyboat.co.uk should add together the total of the repayments made by Miss R towards interest, fees and charges on the loan, if it doesn't have an outstanding balance, not including anything it has already refunded.

B) Moneyboat.co.uk should calculate 8% simple interest* on the individual payments made by Miss R which were considered as part of "A", calculated from the date Miss R originally made the payments, to the date the complaint is settled.

C) Moneyboat.co.uk should remove all interest, fees and charges from the balance on any upheld outstanding loans, and treat any repayments made by Miss R as though they had been repayments of the principal on all outstanding loans. If this results in Miss R having made overpayments then Moneyboat.co.uk should refund these overpayments with 8% simple interest* calculated on the overpayments, from the date the overpayments would have arisen, to the date the complaint is settled. Moneyboat.co.uk should then refund the amounts calculated in "A" and "B" and move to step "E".

D) If there is still an outstanding balance then the amounts calculated in "A" and "B" should be used to repay any balance remaining on outstanding. If this results in a surplus then the surplus should be paid to Miss R. However, if there is still an outstanding balance then Moneyboat.co.uk should try to agree an affordable repayment plan with Miss R.

E) Moneyboat.co.uk should remove any adverse information recorded on Miss R's credit file in relation to this loan.

*HM Revenue & Customs requires Moneyboat.co.uk to deduct tax from this interest. Moneyboat.co.uk should give Miss R a certificate showing how much tax Moneyboat.co.uk has deducted, if they ask for one.

My final decision

For the reasons I've explained, I uphold Miss R's complaint.

Evergreen Finance London Limited trading as MoneyBoat.co.uk should put things right by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss R to accept or reject my decision before 23 June 2021.

Andy Burlinson
Ombudsman