

The complaint

Ms B complained that Evergreen Finance London Limited trading as MoneyBoat.co.uk acted irresponsibly when it gave her unaffordable loans.

What happened

Ms B took out two MoneyBoat loans as follows:

Loan	Date Taken	Date Repaid	Instalments	Loan Amount	Highest Monthly Repayment
1	08/08/2018	30/08/2018	6	£300.00	£85.00
Break in lending					
2	18/03/2019	24/12/2019	6	£800	£214.78

When Ms B complained to MoneyBoat, it didn't agree that it had done anything wrong. MoneyBoat said that, as well as relying on information Ms B provided about her monthly income and expenditure, it also did some independent checks before it agreed to lend to her. And it believed that the information it had recorded for Ms B showed the loans should've been affordable for her.

Ms B wasn't happy with that response and brought her complaint to us. One of our adjudicators reviewed what Ms B and MoneyBoat told us about these loans.

Overall, our adjudicator thought that he hadn't seen enough to say it was unfair for MoneyBoat to provide loan 2 to Ms B - but loan 1 shouldn't have been lent. So he upheld this part of Ms B's complaint and set out the steps he felt MoneyBoat should take to put things right.

MoneyBoat told us that it accepts our adjudicator's recommendation.

Ms B disagreed with our adjudicator's view. Ms B mainly said that her outgoings were even higher when she took out loan 2 and she still had similar credit commitments to those set up when she took loan 1. She would like me to review her complaint and take into account her regular outgoings - including details of her spending on gambling.

The complaint came to me to decide. I issued a provisional decision.

What I said in my provisional decision

Here are some of the main things I said.

"MoneyBoat provided Ms B with high-interest loans intended for short-term use so it needed to make sure that it didn't provide them irresponsibly.

MoneyBoat was required to carry out proportionate checks to be able to understand whether any lending was sustainable for Ms B 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.

In light of this, I think that a reasonable and proportionate check ought generally to have been *more* thorough:

- the lower a customer's income (reflecting that it could be more difficult to make any repayments to credit from a lower level of income)
- the higher the amount due to be repaid (reflecting that it could be more difficult to meet higher repayments from a particular level of income)
- the longer the period of time a borrower will be indebted (reflecting the fact that the total cost of the credit is likely to be greater and the customer is required to make repayments for an extended period).

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.

So to reach my conclusion I have considered the following questions:

- did MoneyBoat complete reasonable and proportionate checks when assessing Ms B's loan applications to satisfy itself that she would be able to repay the loan in a sustainable way?
- if not, what would reasonable and proportionate checks have shown?
- did MoneyBoat make a fair lending decision?

MoneyBoat has accepted our adjudicator's recommendation in respect of loan 1. So I don't feel that I need to say anything more about this part of Ms B's complaint except that I've reviewed this loan and I agree with our adjudicator. So I will include details setting out what MoneyBoat needs to do to put things right later on in my decision.

After paying loan 1 there was a gap of six clear months before Ms B took out loan 2. Like our adjudicator, I think that gap in lending was long enough for MoneyBoat reasonably to think that Ms B might've put her finances in order during this period. This meant that when her borrowing started again, and Ms B applied for loan 2, she was effectively starting over. So it was fair for MoneyBoat to assess her lending request accordingly.

I don't think MoneyBoat was wrong to lend Ms B loan 2. The information MoneyBoat had gathered about Ms B's finances suggested that she was well able to afford this borrowing. It looks like Ms B told MoneyBoat her take home pay was £2,300 and MoneyBoat independently checked what she'd said about her pay. Ms B also gave a breakdown of her expenses – including telling MoneyBoat that she was paying £800 towards other credit.

This appeared to leave her with £1,260 to spend – which should've been ample disposable income to cover the cost of the £214.78 repayments on this loan.

MoneyBoat felt that its credit checks didn't highlight any issues of concern sufficient to warrant declining her loan application although offered her a significantly smaller loan than the amount of £1,100 she had applied for.

I've taken carefully into account what Ms B has said about her financial situation at the time. It appears she told MoneyBoat that she paid no rent or mortgage. So I think it's fair to say that the amount she had told MoneyBoat she was spending on other credit, especially bearing in mind what she'd said about her home circumstances and limited outgoings on household costs, was relatively high for someone in the particular circumstances she had described. To my mind, the extent of her use of credit was potentially concerning information for a responsible lender.

But I can see that MoneyBoat obtained a detailed credit check and I think it was reasonably entitled to think it had built up a reliable picture of Ms B's use of credit. I can see (from information that Ms B sent to me) that MoneyBoat's credit checks didn't show all the debt that Ms B had taken out. But a lender might only see a small portion of a borrower's credit file, or some data might be missing or anonymised or not up to date. I also understand that not all payday and short term lenders report to the same credit reference agencies. So this may explain why MoneyBoat's credit check appears not to show the full extent of Ms B's debt.

I think the checks that MoneyBoat did before agreeing this loan were proportionate. Bearing in mind that borrowers applying for loans of this type often have other credit on their record and sometimes an impaired credit history, taking into account the information that appeared on credit checks that MoneyBoat carried out, I don't think Ms B's credit history showed anything sufficiently adverse that should've prompted MoneyBoat to ask Ms B more searching questions about her financial situation or check the information she'd provided.

In saying this, I've taken into account that the full amount of Ms B's debt was shown as £15,777, a not inconsiderable amount for someone in Ms B's situation. But, it was nonetheless a significant reduction in the amount of debt shown on her credit file when she had taken loan 1 just seven months or so earlier. At that stage she had credit commitments of £23,624 and she had used almost all her available credit when she applied for loan 1.

It was also apparent to MoneyBoat from its checks that Ms B had cleared a number of credit balances in recent months – she now had just 12 active accounts showing (down from 17 previously). Also, she had considerably more existing credit available on credit cards that were well below their limit as well as agreed overdraft facilities at the bank which she didn't appear to have needed to use at the time. She also had plenty of unused credit on a mail order account. So, I think MoneyBoat was entitled to think that it looked like Ms B had made significant progress towards getting on top of her finances in the months since she had repaid loan 1. MoneyBoat assumed that the fact she had paid loan 1 early and without any evidence of payment problems was a further sign that, broadly speaking, she was managing her credit responsibly – and I don't think that was unreasonable in the circumstances overall.

MoneyBoat was reasonably entitled to rely on the information Ms B provided during the application process – it wouldn't be fair to expect MoneyBoat to have known about information that Ms B didn't disclose if it wasn't information that I would expect it to have found out from its own proportionate checks.

So I can't fairly say that MoneyBoat should have taken into account her spending on gambling if this wasn't something she declared.

MoneyBoat's lending decision on loan 2 doesn't seem unreasonable to me based on the information it had available at the time. And, at this stage of the lending relationship, and

given the loan amount and the length of the loan term, I don't think proportionate checks would've required MoneyBoat to ask Ms B to prove what she was declaring or check other information sources to verify what she had told them (or omitted to say) about her financial circumstances. So I don't think MoneyBoat did anything wrong when it made its lending decision based on the information it had at the time for loan 2.

This means I'm planning to say that MoneyBoat should take the following steps to put things right in respect of loan 1 – but I don't uphold Ms B's complaint about loan 2.

Just to remind Ms B, if she would like help to deal with her money problems there's more information about how to get free debt advice on our website – or we can provide contact details if she gives us a call.

I appreciate that what I've said in my provisional decision will be disappointing for Ms B. But I hope that setting things out as I've done helps explain how I've reached this conclusion and reassures her that all her complaint points have been fully considered."

What the parties said in response to my provisional decision

Neither party has sent me any further comments.

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. I've taken this into account in deciding this complaint.

After taking carefully into account everything that's been said in response to my provisional decision, and as no further comments have been received in response to my provisional decision that change what I think about this case, I still think it's fair to uphold this complaint for the reasons I explained in my provisional decision.

Putting things right

In deciding what redress MoneyBoat should fairly pay in this case I've thought about what might have happened if it hadn't provided lending to Ms B, as I'm satisfied it ought to have. Clearly there are a great many possible, and all hypothetical, answers to that question.

For example, having been declined this lending Ms B 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 she 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 now impossible to reconstruct accurately. From what I've seen in this case, I 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 Ms B 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 Ms B would more likely than not have taken up any one of these options. This means it wouldn't be fair now to reduce MoneyBoat's liability in this case for what I'm satisfied it has done wrong and should put right.

So, MoneyBoat should:

- A) add together the total of the repayments made by Ms B towards interest, fees and charges on loan 1 including payments made to a third party where applicable, but not including anything already refunded
- B) calculate 8% simple interest* on the individual payments made by Ms B which were considered as part of "A", calculated from the date Ms B originally made the payments, to the date the complaint is settled
- C) pay Ms B the total of "A" plus "B"
- D) remove any adverse information recorded on Ms B's credit file in relation to loan 1.

*HM Revenue & Customs requires MoneyBoat to deduct tax from this interest. MoneyBoat should give Ms B a certificate showing how much tax has been deducted if she asks for one.

My final decision

I partly uphold this complaint and direct Evergreen Finance London Limited trading as MoneyBoat.co.uk to take the steps set out above to put things right for Ms B.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms B to accept or reject my decision before 18 August 2021.

Susan Webb
Ombudsman