

## The complaint

Mr O says Evergreen Finance London Limited (trading as MoneyBoat.co.uk) irresponsibly lent to him.

## What happened

This complaint is about one instalment loan Moneyboat provided to Mr O in September 2020. The loan was for £550 and was to be repaid over six months in instalments up to a maximum of £167.03. From what I can see, there is a balance still outstanding for the loan.

Our adjudicator upheld Mr O's complaint and thought the loan shouldn't have been given. Moneyboat didn't reply to the adjudicator's view, and so the complaint was passed to me for a final 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 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 Mr O 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 O 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 of the arguments, evidence and information provided in this context and what this all means for Mr O's complaint.

Moneyboat asked Mr O about his monthly income and outgoings and it carried out credit checks. Mr O said he earned £1,800 a month and his outgoings were £330. But Moneyboat increased this to £800 leaving him with a monthly disposable income of £1,000. Mr O later said he was out of work and on benefits at the time. However, I think it was reasonable for Moneyboat to rely on what Mr O had told it, unless it had reason to question this.

And I think Moneyboat did have reason to question what Mr O had told it in his application. This is because Mr O had made a previous application, which was declined, and Moneyboat had carried out credit checks for each application. As our adjudicator explained, between these credit checks, the amount of outstanding credit Mr O owed increased from £1,233 to £4,458. Also, Mr O had had four defaults in the last twelve months before his second application. This suggests that Mr O's borrowing was increasing and he had trouble repaying his loans. Also, he had become reliant on loans and would most likely be unable to sustainably repay his loan, or any subsequent loans.

And so I think Moneyboat should have been prompted by this information it had to carry out proportionate affordability checks on Mr O before providing the loan. It could, for example, have asked to see Mr O's bank statements. Mr O has provided these to us. and I think they show that Mr O was having problems managing his money:

- His monthly income was in benefits rather than a wage.
- Mr O was gambling regularly and heavily.

So I think that if Moneyboat had carried out proportionate and sufficient checks on Mr O's finances, it would have seen that this and any subsequent loans were unsustainable for him. And so I'm satisfied that Moneyboat was wrong to have provided this loan.

### **Putting things right**

In deciding what redress Moneyboat should fairly pay in this case I've thought about what might have happened had it not lent to Mr O, 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 Mr O may have simply left matters there, not attempting to obtain the funds from elsewhere. If this wasn't a viable option, he may have looked to borrow the funds from a friend or relative – assuming that was even possible.

Or, he 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 Mr O 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 Mr O would more likely than not have taken up any one of these options. So it wouldn't be fair to now reduce Moneyboat's liability in this case for what I'm satisfied it has done wrong and should put right.

I require Evergreen Finance London Limited (trading as MoneyBoat.co.uk) to do the following:

- refund all interest and charges Mr O paid on his loan;
- pay interest of 8% simple a year on any refunded interest and charges from the date they were paid (if they were) to the date of settlement†;
- this refund should be offset against the outstanding principal of the loan and any remainder should be refunded to Mr O. Or, if a balance remains outstanding, an affordable repayment plan should be arranged.
- remove any negative information about the loan from Mr O's credit file;

† HM Revenue & Customs requires Moneyboat to take off tax from this interest. Moneyboat must give Mr O a certificate showing how much tax it's taken off if he asks for one.

### **My final decision**

For the reasons given above, my final decision is that I uphold Mr O's complaint. I require Evergreen Finance London Limited (trading as MoneyBoat.co.uk) to carry out the redress set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 1 February 2022.

Phillip Berechree  
**Ombudsman**