

## The complaint

Mr G complains that the loans he had from Evergreen Finance London Limited (trading as Moneyboat) were unaffordable to him.

## What happened

Mr G had four loans from Moneyboat between September 2020 and October 2021 as follows:

<u>Loan</u>	<u>Date</u>	<u>Amount</u>	<u>Term</u>	<u>Monthly Repayment</u>	<u>Due</u>	<u>Repaid</u>
1	1 Sep 2020	£800	121d	£314.15	31 Dec 2020	14 Jan 2021
2	2 Feb 2021	£850	115d	£326.04	28 May 2021	On time
3	1 Jul 2021	£1,000	105d	£356.58	14 Oct 2021	30 Sep 2021
4	1 Oct 2021	£850	122d	£334.42	31 Jan 2022	1 Dec 2021

Mr G says if Moneyboat had carried out better checks it would not have lent him the money. He says he had existing short-term loans and he was using one loan to repay another, leaving him in a worse financial situation. Mr G adds that he had a gambling addiction and that if Moneyboat had done better checks it would have seen clear evidence of that.

Moneyboat says it checked Mr G's credit file and there was no evidence of financial difficulty. It says it also asked Mr G to provide figures for his income and expenditure and they showed the repayments to be affordable, even after adjustments were made based on its other checks. Moneyboat adds that Mr G did not choose the maximum term for the loans and so committed to higher payments which would have made little sense if he couldn't afford them. It says Mr G also repaid loans early and that it was never made aware of any financial difficulties, including gambling. Moneyboat said it was satisfied its checks were proportionate and its lending was not irresponsible.

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 further checks were required, or that the repayments were unsustainable.

Mr G responded to say, in summary, that if Moneyboat had looked at his bank statements it would have seen he had a gambling addiction. He adds that he has had similar cases upheld by this service.

## 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 G 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 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 G could sustainably repay his loans – 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 G's complaint.

### Loan 1

When Mr G applied for this loan, Moneyboat verified his income, asked him about his expenditure and carried out a credit check.

These checks showed:

- Mr G's income the previous month was almost £3,300;
- His declared expenditure, including a figure of £60 for credit, was £1,070;
- He had 13 active credit accounts:
  - Five of these were bank accounts with no overdrafts;
  - Three were credit card accounts with a combined balance of £474 and a total limit of £550;
  - Two loans and a car finance account were being repaid well, although the total monthly commitment was £775;
  - A short-term loan which had been taken out in March 2020 was in arrears. The scheduled monthly repayments were £296, but the account status indicated the account was being queried;
  - A credit card account that was defaulted in June 2017 and was with a debt collection agency with a balance of £350;
- Mr G had one further defaulted account - a bank account had defaulted in November 2016 but was satisfied in November 2018.

As this loan was Mr G's first and the repayments were less than 10% of his verified income, I'm satisfied these checks went far enough. Although there were some negative entries on Mr G's credit file, and he'd significantly understated his existing credit commitments, I can't see there was anything in the available information that should have indicated to Moneyboat that the repayments were unaffordable on loan 1.

### Loan 2

Mr G repaid loan 1 two weeks late but explained that he'd been ill, and his income was lower as a result. He applied for his second loan almost three weeks later and it was for a similar amount, with similar repayments. Moneyboat carried out the same checks again and found:

- Mr G's income was around £3,100;
- His declared expenditure, including a figure of £60 for credit, was £1,100;
- He had 10 active credit accounts:
  - Five of these were the bank accounts with no overdrafts;
  - The three credit card accounts now had a combined balance of £488;
  - The two loans had been settled and he continued to pay £325 per month on time towards the car finance account;
  - The short-term loan continued to be queried;
  - The defaulted credit card account had also been settled;

Moneyboat had adjusted Mr G's expenditure up by £63, although this was not enough to take into account the entries on his credit file. Either way, the loan repayments were just over 10% of Mr G's income and the checks indicated they were affordable to him. As Mr G's credit file also showed an improving picture, I'm again satisfied Moneyboat's checks were proportionate and there was no information to suggest the repayments were unsustainable.

### Loan 3

Mr G repaid loan 2 on time and it was over a month before he applied for a further loan. This time it was for slightly more money and the repayments were slightly higher. Mr G's credit profile had improved again and it now showed he'd settled the queried account and his credit cards all had a zero balance. A further defaulted account had appeared on his credit file, but this was from four years earlier.

The checks again showed the loan repayments were affordable to Mr G and there was nothing to indicate he was struggling financially, or that further checks were required. So I can't conclude Moneyboat made an unfair lending decision for loan 3.

#### Loan 4

Mr G repaid loan 3 early but applied for his fourth loan the next day. Moneyboat had carried out the same checks again, but this time I consider it should have gone further. I say that because:

- This was Mr G's fourth loan in just over a year which might be an indication he was becoming dependent on the lending;
- There was no gap between repaying loan 3 and applying for loan 4;
- Mr G was making very limited repayments to the defaulted account;
- Mr G now had four credit card accounts and the combined balance was now £900;
- Mr G had taken out four cash advances from three of his credit cards in July 2021.

Although Mr G's most recent payslip showed an income of £4,200, I consider there were clear indications that Mr G might be struggling to manage his money and that further checks were required before approving additional lending. In this case, I consider Moneyboat should have found out whether Mr G had additional short-term loans that may not have been recorded on his credit file.

I've had a look at Mr G's bank statements from the time and I can see that he did take out a short-term loan in September 2021 that wasn't yet showing on his credit file, but I can't see there was enough evidence to show that the repayments on loan 4 were unsustainable.

So I find that, even if Moneyboat had carried out proportionate checks for loan 4, it was unlikely to have declined the loan application and, therefore, it made a fair lending decision.

I acknowledge Mr G says Moneyboat would have seen his gambling addiction if it had looked at his bank statements, but a lender is not obliged to request that information for all lending decisions. In this case, I don't find it would have been proportionate for Moneyboat to request the level of information that was needed to show the gambling transactions.

I also accept that this service has upheld similar complaints from Mr G about other lenders. Whilst this is the case, we must consider every case on its individual merits and, indeed, in the two cases he cites, the lending was taking place over different periods of time so the circumstances were unlikely to be the same.

So, in summary, I'm not upholding Mr G's complaint.

**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 G to accept or reject my decision before 17 May 2022.

Amanda Williams  
**Ombudsman**