

The complaint

Mr T complains that Evergreen Finance London Limited trading as MoneyBoat.co.uk acted irresponsibly when lending to him.

What happened

MoneyBoat provided Mr T with loans as follows:

| Loan | Date taken | Date paid | Monthly Instalments | Loan amount | Highest repayment |
|------|------------|-------------|---------------------|-------------|-------------------|
| 1 | 21/05/2021 | 26/05/2021 | 3 | £500.00 | £209.74 |
| 2 | 26/05/2021 | 25/06/2021 | 3 | £800.00 | £392.43 |
| 3 | 26/06/2021 | outstanding | 4 | £1,300.00 | £520.06 |

When Mr T first complained to MoneyBoat, it didn't uphold his complaint, so he brought his complaint to us and one of our adjudicators investigated.

Mr T mainly said that MoneyBoat loaned to him despite the fact he'd been unable to obtain credit for a long time due to adverse information shown on his credit file – and he felt it was particularly irresponsible when MoneyBoat kept lending to him.

Our adjudicator thought that, at the point of loan 3, proportionate checks would most likely have shown that Mr T was having problems managing his money. Our adjudicator thought that MoneyBoat should've become aware of the extent of Mr T's spending on gambling and that MoneyBoat ought to have realised it was unlikely Mr T would be able to sustainably repay this loan. So our adjudicator upheld Mr T's complaint about loan 3 and set out the steps she said MoneyBoat should take to put things right.

Mr T accepted our adjudicator's view. MoneyBoat disagreed with our adjudicator's view. In summary, MoneyBoat said it believed that the checks it did were proportionate and Mr T had adequate disposable income to pay for all these loans. So MoneyBoat felt that the lending it provided was affordable for him.

As the complaint hasn't been resolved, it comes to me to decide.

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've carried out proportionate checks to make sure Mr T 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.

MoneyBoat was required to establish whether Mr T 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 relevant regulations define 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.

Taking all this into account, I've carefully considered all of the arguments, evidence and information provided and thought about what this all means for Mr T's complaint.

Looking at the first two loans, I agree with the adjudicator that it wasn't wrong for MoneyBoat to give Mr T these loans. And as Mr T seems happy to accept what our adjudicator said about these loans, I don't think that I need to say more about them.

MoneyBoat told us about the checks it did before lending loan 3 to Mr T. It asked him to provide details of his income and to tell MoneyBoat what he normally spent each month. And MoneyBoat also carried out checks on Mr T's credit file.

Like our adjudicator, I don't agree that MoneyBoat made a fair lending decision when it provided loan 3 to Mr T. Here's why I say this.

Based on what Mr T had told MoneyBoat about his financial situation, MoneyBoat understood that he had ample disposable income each month. The amount Mr T was now applying to borrow was as much as the combined amount of the two loans that he had previously taken out and quickly repaid over the course of the last month or so. Given Mr T's apparent rapidly increasing need for expensive credit, I think MoneyBoat should have realised that Mr T's borrowing seemed to be at odds with what Mr T had told MoneyBoat about his circumstances.

I think his pattern of lending and early repayment also suggested that potentially his finances were unstable and Mr T was having difficulty planning and managing his money in a structured way. It was apparent from MoneyBoat's credit checks that there was some history of money problems and by the time he applied for loan 3, it looked very much as if Mr T might be running into more financial difficulty – a recently delinquent account was now entering its third month as payments hadn't been brought up to date and his 'balance to limit ratio for revolving credit/budget' was 109% - in other words, he had exceeded his available credit limit.

I think all this information should've prompted MoneyBoat to carry out more thorough checks into Mr T's financial situation before agreeing to lend. I think MoneyBoat should have taken steps to verify what Mr T was saying about his financial circumstances as it was evident that it had contradictory information in front of it and what Mr T had declared wasn't reflected in other information MoneyBoat had gathered. MoneyBoat hasn't shown me it did this. So I can't fairly say that it carried out a proportionate check before agreeing to lend to Mr T.

This means I need to think about what it's likely MoneyBoat would have found out had it done what I consider would've been proportionate checking when Mr T applied for loan 3.

Mr T has provided his bank statements so I've looked through these to see what MoneyBoat was likely to have found out.

In the absence of other evidence, I think these give a useful insight into Mr T's finances at the time and had MoneyBoat looked in more depth at Mr T's finances it would likely have seen that he was facing serious problems managing his money. I think it would have learnt that Mr T was regularly spending significant amounts on gambling transactions. I think, had it seen those transactions, that MoneyBoat should have concluded it was unlikely that Mr T would be able to repay this loan in a sustainable manner.

This means I can't fairly say it was reasonable for MoneyBoat to think that it was likely Mr T would be able sustainably to repay his borrowing. So this leads me to conclude that it shouldn't have provided this loan.

In coming to my decision, I've taken into account that Mr T repaid some loans early – but this doesn't necessarily mean that he was able to do so in a way that was sustainable for him. I'm also aware that MoneyBoat declined a later loan application – but this doesn't mean that loan 3 was sustainably affordable for Mr T.

For the reasons I've explained more fully above, I'm upholding the complaint about loan 3 and MoneyBoat should put things right.

Putting things right

I think it is fair and reasonable for Mr T to repay the principal amount that he borrowed, because he had the benefit of that lending.

But he has been charged extra for a loan that should not have been provided to him.

In line with this Service's approach, Mr T shouldn't repay more than the principal amount he borrowed.

If MoneyBoat has sold any outstanding debt it should buy it back before doing what I have outlined below.

If MoneyBoat isn't able to buy the debt back then it should liaise with the new debt owner to achieve the following:

A) Remove all interest, fees and charges from the balance on loan 3, and treat any repayments made by Mr T as though they had been repayments of the principal on all outstanding loans. If this results in Mr T having made overpayments then MoneyBoat 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.

B) If there is still an outstanding balance then the amounts calculated in "A" should be used to repay any balance remaining. If this results in a surplus then this should be paid to Mr T. However if there is still an outstanding balance then MoneyBoat should try to agree an affordable repayment plan with Mr T. MoneyBoat shouldn't pursue outstanding balances made up of principal already written-off.

C) Whilst it's fair that Mr T's credit file is an accurate reflection of his financial history, it's unfair that he should be disadvantaged by any adverse information recorded about a loan that was unfairly provided. So MoneyBoat should remove any adverse information it has recorded on Mr T's credit file for loan 3.

*HM Revenue & Customs requires MoneyBoat to take off tax from this interest. MoneyBoat must give Mr T a certificate showing how much tax it has taken off if he asks for one.

My final decision

I uphold Mr T's complaint about loan 3 and direct Evergreen Finance London Limited trading as MoneyBoat.co.uk to take the steps I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 3 May 2022.

Susan Webb
Ombudsman