

The complaint

Mr M says Evergreen Finance London Limited, trading as MoneyBoat, lent to him irresponsibly.

What happened

Mr M took out two instalment loans from MoneyBoat. A summary of his borrowing follows.

loan	taken	repaid	value	term in months	highest monthly repayment
1	22/11/2019	03/03/2020	£200	4	£81.42
2	04/03/2020	-*	£1,500	6	£446.30

*Loan 2 was outstanding when Mr M brought his complaint to this service, I understand it has since been repaid in full.

Mr M says the loans were unaffordable for him, he had a high level of payday loans which should have been picked up. He also raised a query about the amount of interest charged on loan 2 but I can see from his email of 25 January 2022 this is now resolved.

Our adjudicator did not recommend Mr M's complaint should be upheld. He said MoneyBoat's checks were proportionate and there was nothing in the information to suggest Mr M was struggling financially. He said given Mr M's income level he felt it was reasonable for MoneyBoat to lend without completing further checks.

Mr M disagreed, saying the timing and amount of his second loan should have triggered additional checks. He maintains the lender was irresponsible.

As an agreement wasn't reached the case was passed to me to make a decision. I reached a different conclusion to the adjudicator, so I issued a provisional decision. An extract follows and forms part of this final decision. I asked both parties to send in any comment or new evidence by 13 April 2022.

Extract from my provisional decision

In the early stages of a lending relationship less thorough checks might be reasonable and proportionate. However, in line with the relevant regulations, we expect a lender to have proper regard for any information it gathers from the checks it decides to do. And this is why my findings differ from the adjudicator's.

MoneyBoat says it asked Mr M for information about his income and expenditure when he applied for the loans. It says it checked his declared income against bank statements and using an external income verification service. It also carried out a credit check both times.

From these checks it calculated Mr M's monthly disposable income which showed the loans were affordable for Mr M.

I agree that the checks MoneyBoat carried out were proportionate. But I'm not persuaded that it had proper regard for the information it gathered and then made responsible lending decisions.

I'll explain why.

Loan 1

The credit check showed that Mr M was heavily indebted (£45,841 across his loans and credit cards); was over his combined credit card limits (102% utilised); had 17 active accounts; made the minimum payment on his cards 32 times in the last 12 months; and was using his cards to withdraw cash. There were 68 searches in the last 12 months. He was currently spending around 48% of his £4,500 income on his existing credit commitments, excluding payday loans. And he had three such active loans. And had taken out 17 short-term high-cost loans in total through 2019.

From this information I think MoneyBoat ought to have realised Mr M was having problems managing his money and was most likely in an expensive cycle of borrowing to repay. So to give loan 1 to Mr M would extend his reliance on short-term high-cost credit and the loan could not be sustainably affordable in these circumstances.

It follows I think MoneyBoat was wrong to give loan 1 to Mr M.

Loan 2

Mr M applied for loan 2 just over three months later and only one day after settling his first loan. It was seven times the value of loan 1. The credit check MoneyBoat completed showed Mr M's finances remained under pressure with little change in his overall debt level. The monthly repayment for loan 2 was much higher at around £446 taking the amount of his income Mr M would need to service his debt to around 57%. I think from these factors combined MoneyBoat ought to have realised loan 2 would most likely not be sustainably affordable – so Mr M would need to borrow again to meet his repayments or suffer some other adverse financial consequence.

It follows I think MoneyBoat was wrong to give loan 2 to Mr M.

I haven't seen any evidence MoneyBoat acted unfairly or unreasonably towards Mr M in some other way.

I then set out what MoneyBoat would need to do to put things right if I went on to uphold Mr M's complaint.

Mr M accepted my provisional decision. MoneyBoat did not respond.

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. And I've followed it here.

As neither party provided any new information or evidence I have no reason to change the findings or outcome I set out in my provisional decision. It follows I find MoneyBoat was

wrong to give loans 1 and 2 to Mr M.

Putting things right - what MoneyBoat needs to do

- refund all interest and charges (including the court fees) Mr M paid on his loans;
- 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†;
- remove any negative information about the loans from Mr M's credit file;

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

My final decision

I am upholding Mr M's complaint. Evergreen Finance London Limited, trading as MoneyBoat.co.uk, must put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 17 May 2022.

Rebecca Connelley
Ombudsman