

The complaint

Mr B complains that Evergreen Finance London Limited trading as MoneyBoat.co.uk irresponsibly gave him loans which he couldn't afford to pay back.

What happened

This complaint is about loans MoneyBoat provided to Mr B as follows:

Loan	Date Taken	Date Repaid	Instalments	Loan Amount	Highest Monthly Repayment
1	05/04/2018	05/07/2018	5	£250.00	£83.42
Break in lending					
2	20/09/2019	28/02/2020	6	£1,100.00	£301.43
3	10/03/2020	30/06/2020	4	£600.00	£223.83
4	13/07/2020	20/10/2020	4	£400.00	£146.39

When Mr B complained to MoneyBoat it said it didn't uphold his complaint. It did however offer to refund him the interest he'd paid on loan 4 as a gesture of goodwill in order to settle his complaint.

Mr B didn't feel this offer went far enough and so he brought his complaint to us.

Our adjudicator didn't think it was unfair for MoneyBoat to have provided any of these loans to Mr B. He explained why and set out what MoneyBoat should do to put things right.

MoneyBoat hasn't responded, despite reminders, and the deadline for responses has now passed.

So, as the complaint isn't yet settled, it comes to me to make 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. I have taken all this into consideration and having done so, I am upholding Mr B's complaint. I'll explain my reasons.

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 B 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 B could sustainably repay his loans – not just whether the loan payments were affordable on a strict pounds and pence calculation. 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.

So 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 B's complaint.

Before lending to Mr B, MoneyBoat asked him for details of his income and normal expenditure. And MoneyBoat carried out checks on Mr B's credit file.

I've looked at each of the loans in turn and I agree with the adjudicator that MoneyBoat should reasonably have realised that all these loans were likely to be unsustainable and it shouldn't have provided any of them.

MoneyBoat should've seen that the credit monthly repayments shown on the credit reports MoneyBoat acquired when Mr B applied for loans 1 and 2 amounted to more than the amount of disposable income it had calculated he had available to spend when working out its affordability assessment. So it should've been apparent that he wouldn't be able to sustainably afford these loans.

When he took out loan 3, whilst MoneyBoat's affordability assessment suggested he'd have a small amount of cash left after making all his credit repayments, I think it should've been

apparent that this couldn't be relied on. The credit checks showed that Mr B was already over-reliant on expensive unsecured loans and he was increasingly making use of credit cards. This didn't suggest that in reality he had any spare cash – rather that his money problems were now beyond his control and more likely he was borrowing in order to be able to pay for his other debt. And this also reflected his financial situation when he applied for loan 4.

I think MoneyBoat, as a responsible lender, should have been aware that Mr B was unlikely to be able to make any of the monthly repayments in a way that would be sustainably affordable. So MoneyBoat shouldn't have provided loans 1-4 to Mr B. And for these reasons, I'm upholding Mr B's complaint.

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 Mr 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 Mr B may have simply left matters there, not attempting to obtain the funds from elsewhere – particularly as a relationship existed between Mr B and this particular lender which he may not have had with others. 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 he 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 Mr 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 Mr B would more likely than not have taken up any one of these options. So 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.

I think it is fair and reasonable for Mr B to repay the principal amounts that he borrowed because he had the benefit of that lending. But he has had to pay interest and charges on loans that shouldn't have been provided to him. So MoneyBoat should do the following:

- A add together the total of the repayments made by Mr B towards interest, fees and charges on loans 1,2,3 and 4, not including anything already refunded
- B calculate 8% simple interest* on the individual payments made by Mr B, calculated from the date Mr B originally made the payments, to the date the complaint is settled
- C pay Mr B the amounts calculated in "A" and "B"
- D remove any adverse information recorded on Mr B's credit file in relation to loans 1,2,3 and 4.

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

My final decision

I uphold Mr B's complaint and direct Evergreen Finance London Limited trading as MoneyBoat.co.uk to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 31 May 2022.

Susan Webb
Ombudsman