DRN-3454840

The complaint

Miss C complains that Evergreen Finance London Limited trading as MoneyBoat.co.uk irresponsibly gave her an unaffordable loan.

What happened

This complaint is about a loan MoneyBoat provided to Miss C as follows:

Date Taken	Loan status	Instalments	Amount	Monthly Repayment
1/9/2020	Paid	6	£1,500	£460.90

Miss C had taken out two earlier loans in February and July 2020 and repaid both of these before borrowing this loan – she has no complaint about those loans.

Our adjudicator didn't think it was fair for MoneyBoat to have provided this loan to Miss C. In summary, he thought that the repayments for this loan represented a significant proportion of Miss C's income. And this meant that there was a significant risk that Miss C wouldn't have been able to make the repayments on this loan without having to borrow again, making the lending unsustainable for her.

So our adjudicator felt that MoneyBoat shouldn't have provided the loan to Miss C and upheld her complaint.

MoneyBoat hasn't responded to our adjudicator's view 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 Miss C's complaint for broadly the same reasons as our adjudicator. 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 Miss C 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 Miss C could sustainably repay her 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 thought carefully about what this all means for Miss C's complaint.

Before lending to Miss C, MoneyBoat asked her for details of her income and normal expenditure. And MoneyBoat carried out checks on Miss C's credit file.

I agree with our adjudicator that, given the particular circumstances of Miss C's case, MoneyBoat should reasonably have seen that this loan was likely to be unsustainable and it shouldn't have provided it.

I say this because when Miss C asked for the loan, MoneyBoat saw that she had used 99% of the available credit on her credit cards and that she'd been using her cards to obtain cash advances – which is a particularly expensive way to obtain spending money and unlikely to be the preferred way to do this for someone who has other options. There was also a default shown within the last 12 months which MoneyBoat would have understood to mean that she'd had problems keeping up with the contractual payments owed on at least one of her active accounts during this time. Its credit checks showed that she had taken out what looks like a payday loan a couple of months before applying for this loan, which she was still paying for. And she had taken another unsecured loan when she borrowed £428 around 6 months earlier – which she hadn't finished paying for either.

So I think there were clear warning signs that her dependency on credit was already excessive having regard to her income.

MoneyBoat's records show it relied on information showing that Miss C's income was £1,620. The repayment she needed to make when she took out this loan worked out at around 28% of her take home pay just for this loan alone – and MoneyBoat was aware that she had other credit debt that she needed to pay as well and her credit history already showed signs of financial distress. Thinking about her overall financial situation, I think MoneyBoat, as a responsible lender, should have been aware that she was unlikely to be able to make the monthly repayments in a way that would be sustainably affordable. So MoneyBoat shouldn't have provided the loan to Miss C. And for these reasons, I'm upholding Miss C's complaint about this loan.

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 Miss C, 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 Miss C may have simply left matters there, not attempting to obtain the funds from elsewhere – particularly as a relationship existed between Miss C and this particular lender which she may not have had with others. If this wasn't a viable option, she may have looked to borrow the funds from a friend or relative – assuming that was even possible.

Or, she 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 she 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 Miss C 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 Miss C 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 Miss C to repay the principal amount that she borrowed because she had the benefit of that lending. But she has had to pay interest and charges on a loan that shouldn't have been provided to her.

MoneyBoat should do the following:

A. add together the total of the repayments made by Miss C towards interest, fees and charges on the loan, not including anything already refunded in respect of this loan

B. calculate 8% simple interest* on the individual payments made by Miss C which were considered as part of "A", calculated from the date Miss C originally made the payments, to the date the complaint is settled

C. Pay Miss C the total of "A" plus "B"

D. remove any adverse information recorded on Miss C's credit file in relation to the loan.

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

My final decision

I uphold Miss C'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 Miss C to accept or reject my decision before 8 June 2022.

Susan Webb
Ombudsman