

The complaint

Mr L complained that Evergreen Finance London Limited trading as MoneyBoat.co.uk irresponsibly gave him unaffordable loans.

What happened

MoneyBoat provided six loans to Mr L as follows:

Loan	Date Taken	Date Repaid	Monthly Instalments	Loan Amount	Highest Monthly Repayment
1	09/08/2019	28/01/2020	6	£500.00	£145.02
2	05/05/2020	28/07/2020	3	£200.00	£92.50
3	31/07/2020	28/10/2020	3	£200.00	£95.65
4	12/11/2020	26/02/2021	4	£300.00	£107.70
5	15/03/2021	22/06/2021	6	£300.00	£83.53
6	07/07/2021	closed	6	£500.00	£146.62

Mr L mainly said that the loans led to a spiral of debt and repeat borrowing and worsened his already poor financial situation.

When Mr L complained to MoneyBoat it didn't uphold his complaint. But, as a gesture of goodwill, it said it would refund the interest paid on loan 5 and write off the balance outstanding at the time on loan 6.

Mr L didn't feel this was enough to put things right, so he brought his complaint to us.

Our adjudicator didn't think he had seen enough to say that MoneyBoat shouldn't have provided loans 1,2,3 and 4. And our adjudicator said he wouldn't have asked MoneyBoat to do any more than it had already offered to do in respect of loan 5. So our adjudicator concentrated on looking at loan 6. He thought that proportionate checks for this final loan would've likely shown MoneyBoat that Mr L was already having problems managing his money as he had at least four other outstanding short term loans when he took it out. Our adjudicator said MoneyBoat ought to have realised it was unlikely that Mr L would be able to sustainably repay this loan and so not have provided it. He set out the steps he said MoneyBoat needed to take to put things right for Mr L.

MoneyBoat hasn't responded to our adjudicator's view and the deadline for responses has now passed. So the complaint 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. And I've followed this approach when I've considered this complaint.

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 that Mr L 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 borrower. These factors include, amongst other things:

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

Whilst loan payments being affordable on this basis might be an indication a consumer could sustainably make their repayments 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 repayments sustainably if they're unlikely to be able to make their repayments without borrowing further.

Taking all this into account, I've carefully thought about what this all means for Mr L's complaint.

Mr L has said he's happy to accept what our adjudicator said in his view. So I don't think I need to say more about loans 1,2,3,4 and 5. And like our adjudicator, I don't think MoneyBoat should've provided loan 6.

Looking at loan 6, whilst MoneyBoat's affordability checks suggested that Mr L should've had enough disposable income to afford the loan, I think MoneyBoat should've realised that it seemed unlikely this was the case in reality. I say this because, by the time he asked for loan 6, Mr L already had at least four other outstanding short-term loans which suggests to me that he was most likely borrowing from one lender to pay others.

So although the loan might've *appeared* affordable on a simple pounds and pence calculation, I think MoneyBoat should've realised that Mr L's borrowing record painted a picture of a person struggling with debt. And despite what he'd told MoneyBoat about his finances, it showed that Mr L was having serious problems managing his money.

So I think MoneyBoat should've realised when Mr L asked for loan 6 that it wasn't likely to be sustainable and it shouldn't have provided loan 6 to Mr L.

For these reasons, I'm upholding Mr L's complaint about loan 6.

MoneyBoat has confirmed its offer in respect of loan 5 is open to Mr L to accept. Mr L should contact MoneyBoat direct if he wishes to take advantage of this offer and he hasn't already done so.

Putting things right

In deciding what redress MoneyBoat should fairly pay in this case I've thought about what might have happened had it not provided loan 6 to Mr L, 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 L may have simply left matters there, not attempting to obtain the funds from elsewhere – particularly as a relationship existed between Mr L 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 impossible to accurately reconstruct now. 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 L 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 L would more likely than not have taken up any one of these options. So it wouldn't be fair 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 L to repay the principal amount that he borrowed because he had the benefit of that lending. But he has had to pay extra for a loan that shouldn't have been provided to him – so that's unfair.

MoneyBoat should take the following steps:

- A. add together the total of the repayments made by Mr L towards interest, fees and charges on loan 6, not including anything it has already refunded.
- B. Calculate 8% simple interest* on the individual payments made by Mr L which were considered as part of "A", calculated from the date Mr L originally made the payments, to the date the complaint is settled.
- C. Pay Mr L the amounts calculated in "A" and "B".
- D. Remove any adverse entries MoneyBoat has recorded on Mr L's credit file for loan 6.

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

My final decision

I uphold Mr L's complaint about loan 6 and direct Evergreen Finance London Limited trading as MoneyBoat.co.uk to take the steps set out above to put things right.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 10 June 2022.

Susan Webb
Ombudsman