

The complaint

Mr S has complained that Evergreen Finance London Limited (Trading as “MoneyBoat”) provided him with two unaffordable loans.

What happened

MoneyBoat provided Mr S with two loans. Details are given below:

Loan	Capital amount	Term	Date taken	Monthly instalment	Date repaid
1	£500	6 months	23/01/2020	£150.95	17/07/2020
2	£1000	6 months	19/07/2020	£311.66	19/02/2021

I issued a provisional decision on this complaint in May 2022. Both parties have received a copy of that provisional decision, but for completeness I include an extract from the decision below. I said;

“Were MoneyBoat’s checks reasonable and proportionate for Loan 1? And if they were, Did MoneyBoat make a fair lending decision?”

MoneyBoat gathered some information from Mr S before it agreed to loan 1. It asked him for details of his income and his expenditure. It verified Mr S’s income by using an online tool and also by asking for a payslip. It then checked Mr S’s credit file to determine how much he was paying to other lenders.

I think it is right that MoneyBoat wanted to gather, and independently check, some detailed information about Mr S’s financial circumstances before it agreed to lend to him. I think that the checks it did achieved that aim. I’m currently minded to think that its checks for loan 1 were proportionate.

But simply performing proportionate checks isn’t always enough. A lender also needs to react appropriately to the information those checks show. So, I’ve looked at the information MoneyBoat gathered from Mr S to check whether I agree it was appropriate for him to be given this loan.

MoneyBoat noted down Mr S’s income as around £1795 and it says it verified this by using an online credit checking service and by looking at a payslip. It also recorded down Mr S’s credit commitments and used the expenditure figures Mr S declared. It says it revised Mr S’s declared expenditure figure by £152. It then calculated Mr S’s disposable income as around £692. Mr S has raised concerns about this and suggested MoneyBoat ought to have found out more after it had seen that his declarations were not the same as its assessment. But I think its assessed amount was out by £152 and this was the first loan application that Mr S had made. I think with the amount of disposable income that it had assessed Mr S to have, I think it would have already gained some assurance that Mr S could repay the loan in a sustainable way, without the need to seek further information here.

I can see the credit search that it conducted at this time that Mr S had a delinquent account, and this occurred only a few months previously and so this also ought to have given MoneyBoat concerns too. But at this stage, I think on balance, it conducted proportionate checks and then made a fair lending decision. The loan looked comfortably affordable for Mr S with the information it had gathered.

Were MoneyBoat's checks reasonable and proportionate for Loan 2?

MoneyBoat says that it again carried out an income and expenditure assessment with Mr S prior to providing him with loan 2 in August 2018. It says it also carried out a credit check. MoneyBoat says it verified Mr S's income by using an online verification tool.

MoneyBoat says it verified Mr S's income was £2191. Mr S had declared his expenditure to be £550. This was a drop in the amount he had declared only a few months previously for his first application. MoneyBoat used information from his credit search to calculate his credit commitments. It added this to Mr S's declarations and calculated that it needed to add a further £394 to the total expenditure figure. This would leave Mr S with a large disposable income of £1246 according to its assessment. So, based on this I can see why it would think that Mr S could afford loan 2. But I don't think it carried out proportionate checks when it carried out its assessment.

I say this when I consider the amount MoneyBoat needed to alter Mr S's expenditure figure by when it was assessing the affordability of this loan. After checking his credit file, it could see that Mr S had not declared enough in terms of the amount he was committed to repaying. I think what it calculated and what Mr S had declared were quite far apart, and ought to have given MoneyBoat concerns about the rest of his expenditure declarations for loan 2 also. Mr S still had a balance to repay with his delinquent account too and I think MoneyBoat ought to have wanted to find out more here as well. I think it ought to have gone further with its checks here and carried out a complete review of Mr S's finances. This is so that it could assure itself that Mr S could repay this loan in a sustainable way.

Would reasonable and proportionate checks have indicated to MoneyBoat that Mr S would have been unable to repay loan 2?

As reasonable and proportionate checks weren't carried out before loan 2 was provided, I can't say for sure what they would've shown. So, I need to decide whether it is more likely than not that a proportionate check would have told MoneyBoat that Mr S would have been unable to sustainably repay loan 2.

MoneyBoat was required to establish whether Mr S could make his loan repayments without experiencing significant adverse consequences – not just whether the loan payments were technically affordable on a strict pounds and pence calculation.

Mr S has provided our service with bank statements from the period of time before the loan was granted. He has provided statements in particular for June and July 2020. I've carefully considered the information provided within these statements. Having done so, it's clear Mr S was in financial difficulty at the time Loan 2 was granted. I will explain why I think this was the case.

Looking through the bank statements for June and July 2020, I can see that Mr S paid a total of £1988 in repayments to short term loan providers and debt management companies. In total this represented over 90% of Mr S's monthly income. It is clear on seeing this that Mr S was having significant problems managing his finances. If MoneyBoat had carried out further checks, I think it is more likely than not it would have uncovered all of this. It would have

seen that the loan repayments for Loan 2 were not affordable or sustainable for Mr S and I think it would have not provided him with it.

So, it follows that I currently think that MoneyBoat needs to put things right.”

I asked both parties to let me have any comments, or additional evidence, in response to my provisional decision. Mr S responded and said he agrees with the provisional decision. He makes a couple of comments about the loans, including that the first loan could have been upheld too due to the income and expenditure declarations. He also mentions that the loans were meant as short term solutions but shortly after his first loan ended, he applied for the second one and it was for double the amount, further indicating that he faced financial difficulties. He also said the assessment was fair. 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.

Mr S has not made any new points for me to respond to and MoneyBoat has not responded. So, as neither party has anything further to add that I feel I need to comment on or that will change the outcome of this complaint, I don't see any reason to depart from my findings within my provisional decision. With that being the case, I uphold Mr S's complaint about loan 2.

Putting things right

Having thought about everything, I think it would be fair and reasonable in all the circumstances of Mr S's complaint for MoneyBoat to put things right by:

- Removing all interest, fees and charges on loan 2 and treat all the payments Mr S has made as payments towards the capital for each of this loan.
- If reworking Mr S's loan account results in him having effectively made payments above the original capital borrowed, 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*.
- If a balance still remains to be paid by Mr S, then MoneyBoat would need to discuss with Mr S a way to find an affordable repayment plan for this.
- Remove any adverse information recorded on Mr S's credit file in relation to loan 2.

*HM Revenue & Customs requires MoneyBoat to deduct tax from this interest. MoneyBoat should give Mr S a certificate showing how much tax it's deducted, if he asks for one.

My final decision

My final decision is that I uphold Ms S's complaint and direct Evergreen Finance London Limited to put things right as described above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 8 August 2022.

Mark Richardson
Ombudsman

