DRN-3808918

The complaint

Mr F complains that Evergreen Finance London Limited (trading as MoneyBoat.co.uk) (MoneyBoat) gave him loans he couldn't afford to repay.

What happened

Mr F took four loans from MoneyBoat between November 2018 and May 2020. I've outlined a summary of his borrowing below.

loan number	loan amount	agreement date	repayment date	number of instalments	instalment amount
1	£200.00	07/11/2018	31/12/2018	2	£127.46
2	£400.00	28/01/2019	31/05/2019	4	£158.65
gap in lending					
3	£200.00	15/05/2020	29/05/2020	2	£120.86
4	£300.00	02/06/2020	30/06/2020	2	£196.96

Following Mr F's complaint, MoneyBoat issued its final response letter. In summary, it said it had carried out proportionate checks which included asking Mr F about his income and expenditure and carrying out a credit search before each loan was approved. Based on these checks, MoneyBoat was confident Mr F would be able to afford his monthly credit commitment.

However, as a gesture of goodwill, MoneyBoat agreed to refund the interest charged to loan 4, which came to £58.80. Mr F didn't accept this offer and instead referred the complaint to the Financial Ombudsman.

The complaint was considered by an adjudicator. She concluded MoneyBoat made a reasonable decision to lend loans 1 and 2 because the loans looked affordable. However, the adjudicator didn't think loans 3 and 4 should've have been granted.

She said, for loan 3 Mr F was fully utilising his overdraft and so any new credit was unlikely to be affordable for him – she also suggested perhaps further checks ought to have been carried out.

For loan 4, the adjudicator could see further loans in the credit checks provided by MoneyBoat and the full monthly repayments for these loans weren't considered as part of the monthly expenditure. Again, she thought perhaps further checks ought to have been carried.

The adjudicator, could see, that had MoneyBoat considered Mr F's bank statements it would've likely discovered he had a number of outstanding high-cost short term loans outstanding and was spending a significant amount of his income each month gambling.

Both Mr F and MoneyBoat didn't respond to the adjudicator's assessment.

As no agreement has been reached, the case has been passed to me for a 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 the relevant rules, guidance and good industry practice - on our website.

MoneyBoat had to assess the lending to check if Mr F could afford to pay back the amount he'd borrowed without undue difficulty. It needed to do this in a way which was proportionate to the circumstances. MoneyBoat's checks could have taken into account a number of different things, such as how much was being lent, the size of the repayments, and Mr F's income and expenditure.

With this in mind, I think in the early stages of a lending relationship, less thorough checks might have been proportionate. But certain factors might suggest MoneyBoat should have done more to establish that any lending was sustainable for Mr F. These factors include:

- Mr F having a low 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 amounts to be repaid being especially high (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- Mr F having a large number of loans and/or having these loans over a long period of time (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable);
- Mr F coming back for loans shortly after previous borrowing had been repaid (also suggestive of the borrowing becoming unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable for Mr F.

MoneyBoat was required to establish whether Mr F could *sustainably* repay the loans – not just whether he technically had enough money to make his repayments. Having enough money to make the repayments could of course be an indicator that Mr F was able to repay his loan sustainably. But it doesn't automatically follow that this is the case.

Industry regulations say that payments are sustainable if they are made without undue difficulties and in particular, made on time, while meeting other reasonable commitments and without having to borrow to make them. If a lender realises, or ought reasonably to have realised, that a borrower won't be able to make their repayments without borrowing further, then it follows that it should conclude those repayments are unsustainable.

I've considered all the arguments, evidence and information provided in this context, and thought about what this means for Mr F's complaint.

As neither Mr F nor MoneyBoat appear to disagree with the adjudicator's assessment about the outcome for loans 1 and 2. So, I therefore consider these loans are no longer in dispute. I will make no finding about them, but I've kept them in mind when thinking about the overall lending relationship.

There was around a year gap between Mr F repaying loan 2 and taking on loan 3. I've therefore considered loan 3 to be the start of a new chain of lending. In effect, MoneyBoat was entitled to treat Mr F as a new customer. However, what MoneyBoat couldn't do is carry out checks and not react to what it was being told. And I've explained what this means for Mr F's complaint below.

MoneyBoat has shown, that as part of the affordability assessment it asked Mr F for details of his income and expenditure. Mr F's income has been recorded for loan 3 as being £1,674 per month. Mr F also declared his monthly outgoings were £558. However, following further checks (including a credit search which I comment on below) MoneyBoat increased his living costs by a further £242.

This left Mr F with disposable monthly income of £874. This was more than sufficient for MoneyBoat to believe Mr F could afford the largest repayment of around £121 per month for loan 3. The loan therefore looked affordable.

Before loan 3 was approved MoneyBoat also carried out a credit search and it has provided the Financial Ombudsman Service with a copy of the results it received. I want to add that although MoneyBoat carried out a credit search there isn't a regulatory requirement to do one, let alone one to a specific standard.

Therefore, it's possible that the information MoneyBoat received may not entirely reflect the information Mr F may be able to see in his own credit report. There could be for a number of reasons for this, such as MoneyBoat only asking for certain pieces of information. But what MoneyBoat can't do, is carry out a credit search and then not react to the to the information it received – if necessary.

MoneyBoat was also entitled to rely on the information it was given. So, I've taken a look at the results to see whether there was anything contained within it that would've either prompted MoneyBoat to have carried out further checks or possible have declined Mr F's application.

Having reviewed these results, I can see at the time this loan was approved Mr F had 9 active credit accounts with outstanding balances of £6,662. And it was aware that Mr F hadn't defaulted on any credit accounts within the last three years.

It did know that Mr F had opened seven accounts within the last six months – which could be a sign that possibly Mr F was having problems, because this was an average of more than one new credit account per month.

In my view, this could have been a sign that he was reliant on this type of credit or at least was showing there was an underlaying need why Mr F was constantly seeking and being granted new credit. Indeed, this is supported by the fact that Mr F had opened 123 accounts within the last six years.

Given the credit check results, I think, it ought to have started to verify the information Mr F had provided. It was already on notice, from its own checks that Mr F may have potentially be under reporting his expenditure as MoneyBoat had to increase his declared expenditure. So, I think, fully checking Mr F's income and expenditure would've been the prudent thing to do.

MoneyBoat could've gone about doing further checks a number of ways, it could've asked for documentation from Mr F in the form of wage slips and / or copy bills, or it could've asked to see Mr F's bank statements.

I accept there is no regulatory requirement for MoneyBoat to have viewed the bank statements but in this case, I think it was proportionate to do so. Mr F has sent us copy bank statements for the period of time shortly before this loan was approved.

So, I've looked at the April 2020 statement to see what MoneyBoat may have discovered. I can see Mr F was spending a significant amount each month on gambling websites – in April 2020 he spent at least £2,000 on such transactions. Mr F's account shows an income payment of around £1,800 so Mr F was spending more than his income each month on these transactions and therefore Mr F would unlikely be able to repay this loan sustainably.

Moving forward, for loan 4 MoneyBoat carried out the same types of checks as it had done before loan 3 was approved. Based on the income and expenditure Mr F provided – and following its credit search MoneyBoat calculated his monthly disposable income was around £985.

But, for the same reasons as loan 3 I do think MoneyBoat needed to have done further checks and once again Mr F has provided his bank statements covering the period when this loan was approved.

At the very least, Mr F had three high-cost credit loans outstanding at the time with monthly payments of nearly £600. It also seems, that this MoneyBoat loan was approved on the same day that another high-cost loan was repaid – which had cost Mr F nearly £290 to settle.

In addition, Mr F was still spending significant amounts each month on gambling websites, in May 2020 Mr F spent at least £3,200 which was significantly more than Mr F's income. So again, had MoneyBoat carried out what I consider to be a proportionate check it would've likely discovered that Mr F couldn't afford to take on any further credit.

I'm therefore upholding Mr F's complaint about loans 3 and 4 only and I've outlined below what MoneyBoat needs to do in order to put things right.

Putting things right

In deciding what redress MoneyBoat should fairly pay in this case I've thought about what might have happened had it stopped lending to Mr F from loan 3, 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 F may have simply left matters there, not attempting to obtain the funds from elsewhere – particularly as a relationship existed between them and this particular lender which they may not have had with others. If this wasn't a viable option, they may have looked to borrow the funds from a friend or relative – assuming that was even possible.

Or, they 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 they 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 reconstruct now accurately. From what I've seen in this case, I certainly 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 F in a compliant way at this time.

Having thought about all these possibilities, I'm not persuaded it would be fair or reasonable to conclude that Mr F would more likely than not have taken up any one of these options. So, it wouldn't be fair to now reduce MoneyBoat's liability in this case for what I'm satisfied it has done wrong and should put right.

MoneyBoat shouldn't have given Mr F loans 3 and 4.

A. MoneyBoat should add together the total of the repayments made by Mr F towards interest, fees and charges on these loans.
B. MoneyBoat should calculate 8% simple interest* on the individual payments made by Mr F which were considered as part of “A”, calculated from the date Mr F originally made the payments, to the date the complaint is settled.
C. MoneyBoat should pay Mr F the total of “A” plus “B”.
D. MoneyBoat should remove any adverse information it has recorded on Mr F’s credit file in relation to loans 3 and 4.

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

My final decision

For the reasons set out above, I’m upholding Mr F’s complaint in part.

Evergreen Finance London Limited (trading as MoneyBoat.co.uk) should put things right for Mr F as directed above.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr F to accept or reject my decision before 28 December 2022.

Robert Walker
Ombudsman