

## The complaint

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

## What happened

Mr R took four loans from MoneyBoat between March and June 2022. I've outlined a summary of his borrowing below.

loan number	loan amount	agreement date	repayment date	instalments	instalment amount
1	£300.00	16/03/2022	05/04/2022	4	£101.38
2	£400.00	06/05/2022	20/05/2022	4	£143.84
3	£1,500.00	22/05/2022	31/05/2022	6	£455.95
4	£1,500.00	29/06/2022	outstanding	3	£690.60

Based on MoneyBoat's statement of account as of October 2022 an outstanding balance remains due for loan 4.

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

Mr R didn't agree and instead referred the complaint to the Financial Ombudsman.

The complaint was considered by an adjudicator. He concluded MoneyBoat made a reasonable decision to lend these loans because there wasn't anything in the information it received that suggested Mr R could not afford the repayments he was committed to making. He didn't uphold the complaint.

Mr R's representative didn't agree and asked for a final decision. I'm summarised Mr R's comments below.

- Mr R took these loans within a four-month period – this should've been a 'red flag'.
- Mr R was reliant on these loans and so MoneyBoat shouldn't have provided them.

MoneyBoat didn't respond to the adjudicator's assessment.

As no agreement has been reached, the case was passed to me for a decision. I proceeded to issue a provisional decision explaining the reasons why I was still intending to not uphold Mr R's complaint but I provided further details as to why. A copy of the provisional findings follows this in italics and a smaller font and forms part of this final decision.

## What I said in my provisional decision

*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 R 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 R'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 R. These factors include:*

- Mr R 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 R 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 R 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 R.*

*MoneyBoat was required to establish whether Mr R 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 R 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 R's complaint.*

### **Loan 1**

*MoneyBoat has shown, that as part of the affordability assessment it asked Mr R for details of his income and expenditure. Mr R's income has been recorded as being £2,500 per month. Mr R also declared his monthly outgoings were £408. However, following further checks (including a credit search which I comment on below) MoneyBoat increased his living costs by a further £442.*

*This left Mr R with disposable monthly income of £1,650. This was more than sufficient for MoneyBoat to believe Mr R could afford the largest repayment of around £101. The loan therefore, looked affordable.*

*Before this loan 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 R maybe 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 possibly have declined Mr R's application.*

*Having reviewed these results, I can see at the time this loan was approved Mr R had 5 active credit accounts with outstanding balances of £9,377. However, MoneyBoat was aware that there hadn't been any adverse credit file data, such as a default or other insolvency recorded within the proceeding three years. Mr R had a history of taking out previous loans and settling them early, but at the point loan 1 was provided, I think it was reasonable for MoneyBoat to believe that he'd be able to make his commitments.*

*It did know that Mr R had opened five accounts within the last six months – which could be a sign that possibly Mr R was having problems, because this was an average of nearly one new credit account per month. And so, this could have been a sign that he was reliant on this type of credit. But given what else MoneyBoat saw in the credit results meant it was just about reasonable for it to have approved the loan without any further checks.*

*There was nothing else in the information that I've seen that would've led MoneyBoat to believe that it needed to go further with its checks – such as verifying the information Mr R had provided.*

*Given it was early on in the lending relationship, I think it was reasonable for MoneyBoat to have relied on the information Mr R provided along with the income and expenditure figures to show he had sufficient disposable income to afford the repayments he was committed to making. So, I'm not upholding Mr R's complaint about the loan.*

## **Loan 2**

*Mr R repaid loan 1 much quicker than MoneyBoat had anticipated, and he returned around a month later for a slightly larger loan to be repaid over the same period as loan 1.*

*MoneyBoat once again carried out the same sort of checks as it did for loan 1. After asking Mr R about his income and expenditure information and making its adjustments from what MoneyBoat's credit report showed. Having done so, it calculated Mr R was left with £1,450 a month in disposable income. Again, this was more than enough to cover the instalment amount of around £144.*

*A credit check was also carried out by MoneyBoat, and a copy of the full report has been provided and which I've considered. The number of new accounts opened within the last six months had reduced, and so had Mr R's overall debt – down to £8,414. However, MoneyBoat was aware that in April 2022 Mr R had taken another loan from a 'Finance House' with payments of £387 per month.*

*But even taking account of the existing credit commitments, given this was a relatively small loan taken over a modest term, I think the checks MoneyBoat did were proportionate, and it showed Mr R could afford the repayments.*

*So, for the same reasons as loan 1, I'm not upholding Mr R's complaint about this loan.*

## **Loan 3**

*Mr R again repaid loan 2 much more quickly than MoneyBoat had planned. Yet, just two*

days after closing the loan Mr R returned for a much larger loan to be repaid over the longest term to date. The monthly commitment for this loan was also, quite significant at around £450 per month.

MoneyBoat again, calculated – using the method outlined above when discussing loans 1 and 2 - that Mr R still had £1,450 per month of disposable income. Although, Mr R's commitment to MoneyBoat had increased the loan still looked affordable for him.

I've also considered the credit search results provided by MoneyBoat. Mr R's total indebtedness had decreased again to £7,699. The rest of the credit results were similar to loan 2, although the loan taken in April 2022 which was mentioned above had now been settled.

However, Mr R had yet again returned quickly for another loan and for the second time in May 2022. His borrowing had significantly increased and so had his monthly repayments. While I accept the information provided to MoneyBoat (and from the credit report) suggested the payments could be affordable I do think at this point MoneyBoat needed to go further with the checks.

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

MoneyBoat could've gone about doing that a number of ways, it could've asked for documentation from Mr R in the form of wage slips and / or copy bills, or it could've asked to see Mr R'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 R's representative has sent us copy bank statements for the period of time shortly before this loan was approved.

So, I've looked at the April 2022 statement to see what MoneyBoat may have discovered. I can see a transfer into the account for around £2,300 which is likely Mr R's income. However, through the course of the month there are a number of other transfers from what seems like another account of Mr R's plus a number of different third parties.

However, as far as I can see, there isn't anything in the statements that would've made MoneyBoat concerned that Mr R couldn't afford the repayments he was committed to making. For example, there isn't any evidence of Mr R having lots of outstanding credit commitments or was having problems meeting his living costs – such as gym membership.

There are, in April 2022, quite a few large transfers out of the account to third parties so Mr R may in response to this provisional decision wish to provide some further explanation as to what these were for. But as it stands, had MoneyBoat carried out what I consider to be proportionate checks it would've assessed that Mr R would be in a position to repay this loan.

#### **Loan 4**

Yet again, Mr R settled loan 3 much earlier than planned, it was repaid after only 9 days. Then a month later Mr R returned for the same amount but as this loan was to be repaid over a shorter period of time and his monthly commitment were now around £690 per month to MoneyBoat.

Once again, following the checks MoneyBoat believed that Mr R had around £1,450 a month in disposable income. The credit check results also didn't show up anything else of concern, apart from Mr R opening and closing a new credit facility in May 2022.

*May 2022 bank statements haven't been provided so I can't comment on that payment further. But it did know no new credit accounts had been opened since the last search was carried out. For the same reasons as loan 3, I do think MoneyBoat needed a complete and full understanding of Mr R's actual living costs and verified his income.*

*Once again, Mr R has provided copy bank statements from June 2022, so I've considered those to see what they show about Mr R's finances at the time the loan was approved. It seems in this month; Mr R's income was a little down on previous months as he received around £1,900.*

*However, while there was quite a bit of expenditure, I can't see any obvious payments for living costs and or repayments to other credit commitments. However, in response to the provisional decision Mr R may wish to shed some light on his living costs and what transactions relate to that in the bank statements that have been provided.*

*As it stands, and based on what I've seen, I'm intending to conclude that MoneyBoat didn't carry out proportionate checks for loans 3 and 4 but my interpretation of the bank statements wouldn't lead me to say that MoneyBoat would've likely discovered Mr R couldn't afford these loans.*

*An outstanding balance remains due, and I would remind MoneyBoat to treat Mr R fairly and with forbearance – if necessary when working to repay the outstanding balance.*

### **Response to the provisional decision.**

Both Mr R (and his representative) and MoneyBoat were asked to provide anything further for consideration as soon as possible but no later than 8 December 2022.

Mr R's representative acknowledged receipt of the provisional decision, but nothing else has been provided for consideration.

The Financial Ombudsman hasn't heard from MoneyBoat.

### **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.

As neither Mr R nor MoneyBoat has provided anything further for consideration I see no reason to depart from the findings that were reached in the provisional decision.

I still think MoneyBoat, for the reasons outlined above, needed to have carried out further checks into Mr R's financial position before it approved loans 3 and 4. However, based on the information that has been provided and what I have to hand, had MoneyBoat carried out further checks it would've likely thought Mr R would've been able to afford these loan repayments.

I therefore do not uphold Mr R's complaint.

I'd remind MoneyBoat that an outstanding balance remains due and if necessary, it needs to treat Mr R fairly and with forbearance.

**My final decision**

For the reasons I've explained above and in the provisional decision, I'm not upholding Mr R's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 6 January 2023.

Robert Walker  
**Ombudsman**