DRN-3901420

The complaint

Mr W complains that Evergreen Finance London Limited trading as MoneyBoat.co.uk (MoneyBoat) didn't carry out proportionate affordability checks before it granted him loans.

What happened

Mr W was advanced three instalment loans by MoneyBoat and a summary of his borrowing can be found in the table below.

loan number	loan amount	agreement date	repayment date	number of monthly instalments	highest repayment
1	£300.00	7 Nov 2018	15 Jan 2019	3	£126.20
2	£400.00	31 Jan 2019	16 May 2019	4	£143
3	£500.00	20 May 2019	15 Oct 2019	4	£192.11

Based on the statement of account provided by MoneyBoat, it seems Mr W had some problems repaying his final loan but it's been paid off now.

Following Mr W's complaint MoneyBoat wrote to him with its final response letter (FRL), outlining the checks it had carried out before these loans were approved and it considered these checks to be proportionate. The checks also showed these loans were affordable for Mr W as he earned a significant monthly wage of around £3,800 to £4,000 a month after tax. MoneyBoat didn't uphold his complaint, so he referred it to the Financial Ombudsman.

An adjudicator considered the complaint and thought it should be partly upheld. After pointing out that in her view MoneyBoat had carried out proportionate checks and not done anything wrong in relation to loans 1 and 2.

Our adjudicator thought loan 3 should be upheld because she could see in the credit check results MoneyBoat received that Mr W's use of other lenders had increased a lot since he had started borrowing in November 2018.

Mr W has not specifically said that he agreed with the outcome, but he's not sent to us a response in which he objects to it. MoneyBoat has not responded. So, the complaint was passed to me to decide.

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 this type of lending - including all the relevant rules, guidance, and good industry practice - on our website.

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

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 W. These factors include:

- Mr W 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 W having many loans and/or having these loans over a long period (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable);
- Mr W 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 W.

MoneyBoat was required to establish whether Mr W 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 W was able to repay his loans 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, 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 W's complaint.

As I said earlier, I don't consider that the complaint about loans 1 and 2 requires resolution as Mr W appears to have agreed with our adjudicator's outcome. This decision will focus on loan 3, because this is the loan the adjudicator recommended be upheld.

Reviewing the information that Mr W gave to MoneyBoat about his income and his expenditure I can see why MoneyBoat considered that he was able to afford these loans relatively easily as his disposable income for loan 3 was, according to the MoneyBoat calculations, around £1,900 each month.

However, reviewing account notes I have seen that MoneyBoat had to chase Mr W for payment twice for loan 2 in April and May 2019 and in May 2019 – just before loan 3 was approved – it had asked to see his bank statements. It specifically asked for 30 days of transactions.

I have compared the credit search results MoneyBoat obtained before loan 1 was approved and the credit search results before loan 3 was approved. There was a marked difference in that in the space of a few months Mr W had taken seven new accounts, by May 2019 he had 15 active accounts which was many more than before loan 1. And he had more debt (over and above the two mortgages) and had demonstrated many more search records.

This information together with the concerning repayment history for loan 2 suggests to me that before lending to Mr W again MoneyBoat ought to have found out more about Mr W's constant need for additional credit. It had already asked for copy bank statements on 20 May 2019 and the account note I can see shows that this information request was marked as 'received and accepted' on the same day which suggests that Mr W sent to MoneyBoat what it was asking for. So, I would have expected it to have used those before approving loan 3 in May 2019.

And I have reviewed the bank statements that Mr W likely sent to MoneyBoat in May 2019 as he has sent to us copies of his bank statements for the same period. Despite it being a joint account, it was clear when cross-referencing the bank statement transactions with the credit file information that Mr W had two high cost instalment lender loans, at least one payday lender, two other high cost credit loans outstanding as the repayment transactions show on the statements. And there was a history and ongoing payments for three sets of debt collector payments.

So, I am persuaded that despite the high income Mr W was on, his outgoings were high and he had several other high cost and/or payday loan lender accounts before loan 3 with MoneyBoat was approved. I don't think it should have approved loan 3 for Mr W.

I uphold Mr W's complaint about loan 3.

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 three to Mr W, 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 W may have simply left matters there, not attempting to obtain the funds from elsewhere. 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 he 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 W 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 W 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 W the third of the three loans. My understanding is that the loans have been paid off.

A. refund all interest and charges to Mr W on loan 3

B. pay interest of 8% simple a year on any refunded interest and charges from the date they were paid (if they were) to the date of settlement*;

C. remove any negative information about loan 3 from Mr W's credit file;

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

My final decision

My final decision is that I uphold Mr W's complaint in part. Evergreen Finance London Limited trading as MoneyBoat.co.uk should put things right for Mr W as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 20 February 2023.

Rachael Williams
Ombudsman