

The complaint

Miss W complains that Evergreen Finance London Limited trading as MoneyBoat.co.uk (MoneyBoat) didn't carry out proper checks before advancing her a loan, had it done so, Miss W says it wouldn't have lent to her.

What happened

Miss W was advanced one loan of £200 on 30 December 2021. Miss W was due to make two monthly repayments, the first one on 28 January 2022 for £132.08 and the second on 28 February 2022 for £132.06. MoneyBoat says an outstanding balance remains due.

Following Miss W's complaint, MoneyBoat wrote to her to explain it had carried out affordability checks which showed she could afford the repayments she was committed to making. Unhappy, with this outcome, Miss W then referred the complaint to the Financial Ombudsman.

An adjudicator reviewed the complaint and he thought MoneyBoat had carried out a proportionate check before granting the loan and these checks showed Miss W could afford the payments. He also didn't think it had yet reached the point where MoneyBoat needed to verify the information Miss W had provided or it had yet reached the point where the loan was unsustainable for her. He didn't uphold the complaint.

MoneyBoat didn't acknowledge or provide any further comments about the proposed outcome.

Miss W didn't agree with the adjudicator's assessment. Miss W said at the time the MoneyBoat loan was provided she had several other outstanding loans, her credit score was low due to previous repayment difficulties and she was being supported by a well-known debt advice service.

As no agreement has been reached, the case has been passed to me to resolve.

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 Miss W could afford to pay back the amount she'd borrowed without undue difficulty. It needed to do this in a way which was proportionate to the circumstances. MoneyBoat's checks could've taken into account a number of different things, such as how much was being lent, the size of the repayments, and Miss W'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 Miss W. These factors include:

- Miss 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);
- Miss W 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);
- Miss 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 Miss W. Miss W had one loan so the adjudicator didn't think this applied to her complaint.

MoneyBoat was required to establish whether Miss W could *sustainably* repay the loan – not just whether she technically had enough money to make her repayments. Having enough money to make the repayments could of course be an indicator that Miss W was able to repay her 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 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 Miss W's complaint.

For the loan, MoneyBoat asked Miss W to declare her monthly income and expenditure. Miss W declared her income was £1,094 and she declared expenditure of £350. MoneyBoat says it asked for a copy payslip which confirmed the accuracy of the income Miss W declared – although this payslip hasn't been provided to the Financial Ombudsman.

In addition, based on a credit search (which I go into more detail below) MoneyBoat thought it was reasonable to increase Miss W's monthly expenditure by a further £500. Overall, MoneyBoat calculated a monthly disposable income of £244.

Based solely on the information Miss W declared to MoneyBoat, it was reasonable for MoneyBoat to have concluded Miss W would be able to afford her monthly repayment of around £132.

MoneyBoat has also said for this loan, it carried out a credit search and it has provided the Financial Ombudsman Service with the results it received. It is worth saying here 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 entirely possible that the information MoneyBoat received may not entirely reflected the information Miss W may be able to see in her own credit report. There could be for several 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.

The credit check results showed MoneyBoat Miss W had nearly £12,000 of outstanding debt spread across 11 active credit accounts. The number of active accounts could in some situations be seen to be quite high and may suggest that Miss W had problems managing her finances. However, MoneyBoat knew that only three new accounts had been opened within the last six months. So, this made it less likely that Miss W was reliant on or a regular user of high-cost loans.

In addition, MoneyBoat was aware historically, Miss W had defaulted on four accounts. However, these defaults had been applied more than 12 months before the loan but less than three years before. Although, this again, isn't an insignificant number, I do think, given the historic nature of these defaults that MoneyBoat wouldn't have been concerned about Miss W's ability to repay this loan.

Overall, while there are some negative indicators in Miss W's credit check such as the defaults there doesn't seem to me, enough to indicate that Miss W was reliant on other forms of credit and / or payday loans. Of course, the number of active accounts MoneyBoat was told about may not be correct, but it was entitled to rely on the information it was given.

Given it was still early on in the lending relationship and 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 Miss W had provided. In addition, there wasn't anything, as far as I can see which would've suggested the loan was unsustainable for her.

For this loan, I consider MoneyBoat carried out a proportionate check which showed it that Miss W would be able to afford the repayments she was committed to making. I therefore do not uphold Miss W's complaint.

Miss W has suggested she has been taken to Court by MoneyBoat and was fined £50. We asked both Miss W and MoneyBoat to establish what this related to – the adjudicator suggested it was a County Court Judgement – which may have been the case. However, I can say no more about it as no information has been provided from either party.

But an outstanding balance remains due I remind MoneyBoat of its regulatory obligation to treat Miss W fairly and with forbearance.

My final decision

For the reasons I've explained above, I'm not upholding Miss W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 9 March 2023.

Robert Walker
Ombudsman