

The complaint

Miss M complains that Evergreen Finance London Limited trading as MoneyBoat.co.uk (MoneyBoat) didn't carry out proportionate affordability checks before it granted her loans. Had it done so, MoneyBoat would've likely discovered she was having financial difficulties.

Miss M also says she doesn't think she has been treated fairly when she agreed a repayment plan for loan 2.

What happened

Miss M was advanced two instalment loans by MoneyBoat, and a summary of her borrowing follows in the table below.

loan number	loan amount	agreement date	repayment date	number of instalments	instalment amount
1	£400.00	17/12/2021	13/03/2022	4	£159.45
2	£300.00	14/03/2022	15/08/2022	3	£145.66

Following Miss M's complaint MoneyBoat wrote to her explaining why it wasn't going to uphold her complaint. Miss M didn't agree, and instead referred the complaint to the Financial Ombudsman.

The complaint was reviewed by an adjudicator, and he didn't uphold Miss M's complaint about loan 1. But he thought, loan 2 shouldn't have been granted because MoneyBoat's account notes showed that Miss M was having problems repaying her first loan due to a reduction in her working hours and as a result a repayment plan had been agreed to repay the balance in February 2022.

Therefore, when she returned for a new loan the day after repaying loan 1, MoneyBoat ought to not have approved this loan because it was likely she was still experiencing financial difficulties and therefore she couldn't repay the loan.

Finally, the adjudicator said that as the balance had been repaid on loan 2, there was no need for MoneyBoat to freeze the interest, fees or charges. He also noted, that since the complaint was raised MoneyBoat had informed us that Miss M had tried to obtain further credit from it.

Miss M appears to have accepted the assessment.

MoneyBoat didn't respond to or acknowledge the adjudicator's most recent assessment.

As such, in order to bring this matter to a close, the case has been referred to me in order to make a final 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 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 M could afford to pay back the amounts 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 M'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 M. These factors include:

- Miss M 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 M 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 M 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 M. The adjudicator didn't think this applied to Miss M complaint.

MoneyBoat was required to establish whether Miss M could *sustainably* repay the loans – 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 M 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 M's complaint.

Loan 1

For this loan, Miss M declared she had a monthly income of £1,400. MoneyBoat says this figure was checked with a credit reference agency for its accuracy, but it hasn't provided the results of this check.

Miss M declared her expenditure to be around £150 per month. However, as part of the affordability check MoneyBoat said it did the following.

On your loan applications we increased the monthly expenditure that you input, on the basis that your credit report highlighted different expenditure than you had

disclosed, and/or to bring you in line with the average expenditure listed on the Common Financial Statement.

As a result of these additional checks, MoneyBoat increased Miss M's monthly expenditure by £650. Giving her total monthly outgoings of £800. This left £600 per month of disposable income to meet the repayments Miss M was committed to making. Based solely on the income and expenditure information the loan looked affordable.

In addition, the monthly rent/mortgage cost was low, but Miss M had told MoneyBoat that she lived at home with parents. So, there was a reason why this amount was so low, and in the early stages of the lending relationship it was reasonable for MoneyBoat to have relied on what Miss M declared.

MoneyBoat says a credit check was carried out before this loan was granted, and a copy of the results have been provided. I've reviewed the results and while there is some adverse information recorded such as MoneyBoat being aware of two accounts being marked as being in default between 13 and 36 months before the loan being approved, I don't think this would've been enough for MoneyBoat to have either carried out further checks or declined her application.

Overall, given the information MoneyBoat received from Miss M and as a result of its own checks I'm satisfied the checks it carried out were proportionate and these checks showed the loan to be affordable to Miss M.

I do not uphold her complaint about this loan.

Loan 2

I'll firstly deal with the checks that MoneyBoat carried out. As far as I can see the checks for this loan were identical to the checks that were carried out before loan 1. So, MoneyBoat asked Miss M for details of her income and expenditure.

For this loan, Miss M declared her income had reduced to £1,200 per month with declared outgoings of £100 covering Miss M's credit commitments and food costs. However, as before, following further checks by MoneyBoat it increased her monthly expenditure by a further £700. Leaving her with £400 a month disposable income, which was enough to make her commitments of around £146 per month.

I've also reviewed the credit check results provided by MoneyBoat and these are broadly similar to loan 1. Miss M's overall indebtedness had increased slightly, but it was still aware of the same defaults. This adverse data, in my view, wouldn't have been enough for MoneyBoat to have either prompted it to carry out further checks or decline Miss M's application.

Nevertheless, while the loan looked affordable, I don't think it ought to have been provided. I say this because MoneyBoat has provided details of its contact with Miss M which show a matter of weeks before loan 2 was advanced that she was having financial difficulties.

On 15 February 2022, Miss M told MoneyBoat about a change in her circumstances – this was caused by her employer reducing her hours. What followed were a series of emails whereby Miss M provided detailed of the reduction as well as an income and expenditure form – where she confirmed her salary was £600 per month. On 16 February 2022 it was agreed that Miss M would enter a repayment plan for £30 each month for six months (before being reviewed). Although, loan 1 was repaid but only because she appears to have borrowed money from family.

So, MoneyBoat was on notice that Miss M was struggling with her finances and as far as I can tell was given evidence that her contract at work had been reduced. Therefore, knowing this information, as it did, I don't think it made a fair lending decision when loan 2 was advanced because there was a real risk Miss M was having ongoing financial difficulties. And this did appear to be the case as shortly after loan 2 was advanced – in April 2022 she asked for a repayment plan.

I am therefore upholding Miss M's complaint about this loan.

Other considerations

Miss M was on a repayment plan for loan two and missed a payment due to her circumstances, as a result she was unhappy that MoneyBoat refused to suspend the interest on the balance.

I've thought about what Miss M says about MoneyBoat not freezing the interest fees or charges. This is one option available to it at the time once it found out about her financial difficulties. However, as I've concluded loan 2 ought to not have been provided, the redress below will in effect make loan 2 interest free. So, I don't think any further compensation needs to be paid.

I can also see that at times MoneyBoat was calling Miss M (for example on 8 and 12 August 2022) but these weren't excessive in nature or made at unreasonable times and it seems, based on the notes I've been provided that after Miss M asked not to be called on her work number MoneyBoat did stop calling. Although, it does seem the majority of the calls were made to Miss M's mobile number.

Overall, I don't think any further compensation is due.

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 lent loan 2 to Miss M at all, 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 Miss M may have simply left matters there, not attempting to obtain the funds from elsewhere. If this wasn't a viable option, she may have looked to borrow the funds from a friend or relative – assuming that was even possible.

Or, she 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 she had done that, the information that would have been available to such a lender and how she would (or ought to have) treated an application which may or may not have been the same is impossible to now accurately reconstruct. 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 Miss M in a compliant way at this time.

Having thought about all of these possibilities, I'm not persuaded it would be fair or reasonable to conclude that Miss M 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 Miss M loan 2.

- A. MoneyBoat should add together the total of the repayments made by Miss M towards interest, fees and charges on loan 2, including payments made to a third party where applicable, but not including anything you have already refunded.
- B. MoneyBoat should calculate 8% simple interest* on the individual payments made by Miss M which were considered as part of "A", calculated from the date Miss M originally made the payments, to the date the complaint is settled.
- C. MoneyBoat should pay Miss M the total of "A" plus "B".
- D. MoneyBoat should remove any adverse information recorded on Miss M's credit file in relation to loan 2.

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

My final decision

For the reasons I've explained above, I'm upholding Miss M's complaint in part.

Evergreen Finance London Limited trading as MoneyBoat.co.uk should put things right for Miss M as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 16 March 2023.

Robert Walker
Ombudsman