The complaint

Mrs C complains that Evergreen Finance London Limited trading as MoneyBoat.co.uk (MoneyBoat) gave her loans she couldn't afford to repay, and which put her into financial difficulties.

What happened

Mrs C was advanced four loans by MoneyBoat, and a summary of her borrowing follows.

loan number	loan amount	agreement date	repayment date	number of instalments	instalment amount
1	£300.00	21/06/2018	27/09/2018	4	£102.53
2	£500.00	27/09/2018	28/03/2019	5	£172.57
3	£700.00	03/04/2019	26/09/2019	6	£209.03
4	£550.00	07/10/2019	14/01/2020	4	£206.87

In response to Mrs C's complaint, MoneyBoat wrote to her explaining why it wasn't going to uphold it. Mrs C didn't agree, and she referred the complaint to the Financial Ombudsman.

The complaint was reviewed by an adjudicator, and she didn't uphold Mrs C's complaint about loan 1. But she thought, loans 2 - 4 shouldn't have been granted because MoneyBoat's credit checks showed a deterioration in Mrs C's financial position. She was in arrears with her mortgage and between loans 1 and 2 her overall indebtedness had increased along with the number of active credit accounts. And in the adjudicator's view loans 2 – 4 shouldn't have been lent as they weren't sustainable.

Mrs C appears to have accepted the assessment.

MoneyBoat didn't respond to or acknowledge the adjudicator's most recent assessment. As no response was received, the case has been 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 Mrs C 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 Mrs C'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 Mrs C. These factors include:

- Mrs C 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);
- Mrs C 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);
- Mrs C 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 Mrs C. The adjudicator didn’t think this applied to Mrs C’s complaint.

MoneyBoat was required to establish whether Mrs C 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 Mrs C 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 Mrs C’s complaint.

The adjudicator didn’t uphold loan Mrs C complaint about loan 1 and neither Mrs C nor MoneyBoat appear to disagree with this. To me, it seems that this loan is no longer in dispute, so I say no more about it. Instead, this decision will focus on whether MoneyBoat was right or wrong to have advanced loans 2 – 4.

Loan 2

For this loan, Mrs C declared she had a monthly income of £2,100. MoneyBoat says this figure was checked with a credit reference agency for its accuracy.

Mrs C declared her expenditure to be around £830 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 Mrs C’s monthly expenditure by £954, giving her total monthly outgoings of £1,784. This left £316 per month of disposable income to meet the repayments Mrs C was committed to making. Based solely on the income and expenditure information the loan looked affordable.

MoneyBoat says a credit check was carried out before this loan was granted, and a copy of the results have been provided to us. It is entirely reasonable to consider these results to see what MoneyBoat knew about Mrs C's other credit commitments (and credit history) at the time it advanced this loan.

MoneyBoat, just from the initial summary page it knew Mrs C's debt was marginally larger than at loan 1. But by loan 2, she had a total of 19 active credit accounts – which is an increase on the 16 she had at loan 1. In addition, she had now taken 7 new credit facilities within the last six months. Which is again a significant increase on the 2 new credit facilities she opened in the six months before loan 1.

Based solely on the initial summary page, I think it's fair to say MoneyBoat ought to have been on notice that Mrs C's finances were potentially deteriorating. I say this because she was demonstrating a need to not only have more credit facilities than she did before but in addition, she was also averaging taking one new credit facility per month which in my view isn't sustainable.

Had MoneyBoat looked further into the credit check results it would've been aware that Mrs C already had six outstanding loans that have been classed as either Advance Against Income, Home Credit or Finance House. The cost per month to service just these six loans was £1,611. I do think, given the number and the already sizeable commitment Mrs C was going to have to make to service what was likely a number of high-cost credit loans, that any further borrowing wasn't going to be sustainable for her.

But in addition, to the loan not being sustainable – which MoneyBoat ought to have concluded, it also in my view wasn't affordable. I say this because as part of Mrs C's application she declared £730 of other costs such as food and transport. I added this figure to her existing credit commitments of £1,611 and it came to £2,341 which was more than her declared income. So, she didn't have any disposable income in which to take on further credit.

On top of this, Mrs C had a mortgage which was in arrears and had been for some time – again this points to further financial difficulties, because I think it is fair to say that her mortgage was a priority debt. As part of her application Mrs C says her mortgage costs were only £100 per month whereas the credit report indicates these are £923 per month – although I accept, and I can't say for sure that she may not have been the sole person responsible for these payments.

Overall, taking account of what the credit check results showed, MoneyBoat ought to have concluded that firstly, the loan wasn't sustainable for Mrs C given her existing credit commitments to what was likely a combination of high-cost credit and payday loans. And secondly, it also ought to have concluded that the loan wasn't affordable either, given her existing expenditure exceeded her income. I'm therefore upholding Mrs C's complaint about loan 2.

Loans 3 and 4

The same sort of checks was carried out for these loans as they were for loan 2. Each new loan was taken fairly quickly after the previous loan was repaid and her monthly credit commitment for both of these loans was broadly similar.

Mrs C declared income of £1,900 per month for loan 3 and £2,100 for loan 4. Outgoings were also declared of £800 for loans 3 and £750 for loan 4. As before, MoneyBoat made adjustments to her declared living costs and increased her monthly expenditure by £844 for loan 3 and £837 for loan 4.

Therefore, these loans looked affordable solely based on the income and expenditure checks MoneyBoat carried out.

However, the credit check results indicated that while Mrs C's overall indebtedness dropped along with the number of active credit facilities (down to 11 by loan 3 and 12 by loan 4). Her mortgage arrears persisted and in fact increased in the month before loan 3 was granted and the mortgage account was still in arrears by the time loan 4 was given.

The credit files also show Mrs C continued to use expensive, high-cost credit throughout the months that she borrowed from MoneyBoat which further shows she had a continued and ongoing need for this type of credit. In those circumstances, given her need for new credit and the persistent arrears on a priority debt have led me to conclude these two loans weren't sustainable for Mrs C either.

I am therefore upholding Mrs C's complaint about these loans as well.

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 loans 2 – 4 to Mrs C, 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 Mrs C 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 Mrs C 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 Mrs C 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 Mrs C loans 2 - 4.

A. MoneyBoat should add together the total of the repayments made by Mrs C towards interest, fees and charges on loans 2, 3 and 4, 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 Mrs C which were considered as part of "A", calculated from the date Mrs C originally made the payments, to the date the complaint is settled.
C. MoneyBoat should pay Mrs C the total of "A" plus "B".
D. MoneyBoat should remove any adverse information recorded on Mrs C's credit file in relation to loans 2, 3 and 4.

*HM Revenue & Customs requires MoneyBoat to deduct tax from this interest. MoneyBoat should give Mrs C 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 Mrs C's complaint in part.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 11 May 2023.

Robert Walker
Ombudsman