

The complaint

Mr H, through his representative, complains that Evergreen Finance London Limited, trading as MoneyBoat.co.uk, lent to him when he could not afford it.

What happened

Mr H applied for and was approved for one loan of £400 in March 2020. It was repayable over six months at £124.38 each month. Documents sent to us by MoneyBoat in May 2022 indicate that Mr H paid very little towards the loan and after August 2020 paid nothing towards it. So, there is a balance outstanding.

Mr H complained to MoneyBoat through his representative in April 2022 and received its final response letter (FRL) that same month. It did not uphold his complaint. Mr H was not content and, through his representative, referred his complaint to the Financial Ombudsman Service.

One of our adjudicators looked at it and thought that Mr H was paying too much out each month on other credit for this loan to be affordable. Our adjudicator had used the credit search results MoneyBoat had obtained on 29 March 2020, the day before the loan was approved.

MoneyBoat disagreed and said that our adjudicator's reading of the credit file MoneyBoat had at the time and which it had reviewed was wrong.

The unresolved 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.

MoneyBoat had to assess the lending to check if Mr H 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've considered several different things, such as how much was being lent, the size of the repayments, and Mr H'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 H.

These factors include:

- Mr H 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 H having a large number of 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 H 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 H. As he took one loan only than this does not apply.

MoneyBoat was required to establish whether Mr H could *sustainably* repay the loan – 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 H 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 H's complaint.

It's unusual for me to conclude that a single loan for a relatively modest sum such as the one Mr H took warranted additional checks by MoneyBoat before it approved the loan. But in these circumstances I have come to that conclusion.

I think that MoneyBoat may be correct that Mr H was not likely paying around £700 a month towards other debt. And I say that because I can see that one of the debts was 5 years since it had been defaulted and with a debt collection agency and so I doubt very much Mr H was repaying it at around 5% of the debt each month. However, MoneyBoat would have been aware of that adverse entry on his credit file.

But what the credit file does reveal very clearly and what I do think MoneyBoat ought to have been alive to, was that Mr H had taken a short term loan on 13 February 2020, a large loan on 28 February 2020, and two smaller loans on 21 and 22 February 2020, and Mr H had obtained a new credit card on 10 February 2020. And one of his mail order accounts was over its £1,000 limit (the one that had commenced 15 November 2018). Mr H's overdraft had been bouncing underneath its limit of £2,700 for several months and had a balance at the time of £2,100 but still close to the overdraft balance.

The headline details provided by the credit search MoneyBoat had obtained showed it that Mr H had 38 credit accounts of which 15 were active. Mr H had opened six accounts in the last six months which translated into an average of one a month, I have seen from reviewing

that same credit search document that Mr H had opened five in one month. Plus, Mr H had carried out 12 searches in the previous three months which is a high number.

Mr H had two home-credit loans both of which were delinquent in that he'd not paid anything towards them for months.

Mr H had given MoneyBoat some information about his income and other expenditure. He'd told them his income was £1,200 but it had reduced this to £1,080 each month. Mr H's general expenses were increased by MoneyBoat by £210 a month which seemed sensible as Mr H had declared very little amounts for monthly food, and transport costs. So, with the declared sum of £200 a month for credit plus his rent and an entry for 'other' then his total costs came to £800 and these are laid out in a table in the FRL MoneyBoat sent to Mr H.

But I also think that the likely monthly credit costs were around £500 a month – not the £200 a month MoneyBoat had used – and so I consider that Mr H's overall costs were more like £1,100 each month. And I have reached that £500 a month figure using the credit search MoneyBoat had obtained for Mr H before approving the loan.

So, on the information it had already I consider that Mr H was not likely able to afford the £124 a month for this loan.

If MoneyBoat had wanted to take it further and had decided to check why it was that Mr H had been applying for so much credit so often and why he had been carrying out so many searches for other lenders, then I think one way would have been to view Mr H's bank account statements. I don't think it did that but Mr H has forwarded to us his bank statements for the period leading up to 30 March 2020.

From those I can see that Mr H was taking many loans, was in his overdraft, had betting and gaming transactions which often added up to several hundred pounds most days. His salary varied between £871 and £1,145 plus his housing costs were higher than he'd told MoneyBoat.

So, if MoneyBoat had not reviewed any bank account statements for Mr H, still I consider it had enough information to recognise that Mr H was not going to be able to afford the £124 each month sustainably. And if it had reviewed his bank statements to carry out further checks before lending then I think it would have realised Mr H was not managing his money and was spending a great deal on one activity – betting and gaming – which likely was the cause of his debts.

I uphold Mr H's complaint.

Putting things right

My understanding is that this loan is outstanding. And as Mr H has paid so little towards the loan, even with the redress paragraphs set out here, Mr H will have a balance to pay to MoneyBoat.

If MoneyBoat has sold the outstanding debt it should buy it back if able to do so and then take the following steps. If MoneyBoat is not able to buy the debt back, then it should liaise with the new debt owner to achieve the results outlined below.

- Remove all interest, fees and charges applied to the loan,
- Treat any payments made by Mr H as payments towards the capital amount of £400,
- If Mr H has paid more than the capital then any overpayments should be refunded to with 8%* simple interest from the date they were paid to the date of settlement,

- But if there's still an outstanding balance, MoneyBoat should come to a reasonable repayment plan with Mr H
- MoneyBoat should remove any adverse information recorded on Mr H's credit file in relation to the loan after it's been paid down.

*HMRC requires MoneyBoat to take off tax from this interest. If Mr H asks MoneyBoat for a certificate showing how much tax MoneyBoat has taken off, it should provide this. If MoneyBoat intends to use the refund to reduce an amount Mr H owes, MoneyBoat must do this after tax.

My final decision

My final decision is that I uphold Mr H's complaint and I direct that Evergreen Finance London Limited, trading as MoneyBoat.co.uk, does as I have outlined in the 'putting things right' section of my decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 17 April 2023.

Rachael Williams
Ombudsman