

The complaint

Mr P, through his representative, complains that Evergreen Finance London Limited, trading as MoneyBoat.co.uk (MoneyBoat), lent to him four times in one year without carrying out the right checks. If MoneyBoat had carried out the right checks before approving the loans it would not have given them.

What happened

Mr P applied for around 24 loans over the period of the lending relationship, four of which were approved. Three were applied for after he had complained to MoneyBoat on 1 June 2022. The four approved loans are briefly summarised in the loan table here.

Loans funded	Date of application	Amount approved or applied for	Repaid
1	15 May 2021	£800 (applied for £1,500)	8 June 2021
2	28 August 2021	£200	1 October 2021
3	3 January 2022	£400	4 February 2022
4	26 February 2022	£1,500	22 April 2022

After Mr P had complained to MoneyBoat, which I can see from its account notes was 1 June 2022, then it issued a final response letter (FRL). It gave detailed reasons as to why it considered its checks were good enough. This explanation included that MoneyBoat had asked Mr P for copy payslips and it had obtained credit searches for each loan. It already had the information Mr P had declared to it as part of his applications. And MoneyBoat had emailed Mr P on 26 February 2022 asking him to complete a 'repeat lending questionnaire'. I have seen Mr P's answers.

Mr P seems to have continued to fill in speculative loan applications even after he had complained to MoneyBoat.

Mr P's representative referred his complaint to the Financial Ombudsman Service in July 2022. One of our adjudicators looked at the complaint and his view was that MoneyBoat ought not to have lent to Mr P for loan 4.

Mr P's representative acknowledged the adjudicator's view and has asked if MoneyBoat has responded but has volunteered no other view since then.

MoneyBoat did not respond but later provided additional information I needed.

The unresolved complaint was passed to me to decide and as I had received the additional information I decided to issue a provisional decision on 27 April 2023. The outcome was the same – uphold for loan 4 – but I gave the parties time to respond.

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 unaffordable/irresponsible lending - including all the relevant rules, guidance and good industry practice - on our website. MoneyBoat had to assess the lending to check if Mr P 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 P'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 P. These factors include:

- Mr P 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 P 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);
- Mr P 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 P.

MoneyBoat was required to establish whether Mr P 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 P 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.

my provisional findings in my provisional decision dated 27 April 2023 (smaller type)

I've considered all the arguments, evidence and information provided in this context, and thought about what this means for Mr P's complaint.

The number of applications

I had asked MoneyBoat to explain about the 24 applications of which four were successful. Its response was:

'Applications may be declined for not meeting our internal lending criteria at that time (this criterion is ever-changing and dependent upon market conditions (and Covid at the time), current lending volumes/targets, regulatory guidance and attitudes towards risk). Equally they may be declined or ignored if there remained an outstanding balance on a loan at time of application or they were unable to supply us with

requested information.'

Our adjudicator had not got that information when he came to the decision he did.

I asked Mr P as well and his reply was:

'Regarding the applications I was unaware that I had applied for 24 loans in total. In all honesty all that I can recall about these are the following [sic]:

As I had several pay day loans I was in a cycle of applying for different pay day loans to settle existing ones as I was struggling financially

I believe I was declined on some applications due to the short gaps between settling one loan and applying for another. I was desperately trying to find new loan providers to pay others off and buy time

There is the liklihood [sic] that after paying Money Boat off I would reapply at later date in the hope that I could secure funding to settle loans in the hope that I would be approved as I had paid previous ones off quickly. On the applications where I was declined there would be messages that said future applications would be considered

I was surprised that I was approved for the final loan of £1,500 given my circumstances'

The spreadsheet of those 24 applications are not dated and do not identify the four that were approved, or which ones were declined and which were ignored. So, it's been tricky to piece the full picture together.

So, reviewing the spreadsheet I have from MoneyBoat showing all the applications made then all I've been able to do is band them into the months that Mr P applied as determined by his pay date each month. It seems Mr P was paid on or around the 24th or 25th of each month. Loan 1, I can identify.

For instance, in the lead up month to Mr P's payday of 24 September 2021 Mr P applied for loans three times for £200 and £400. Loan 1 was paid off in June 2021 and so as the next loan approved was dated 28 August 2021 (loan 2) then I think it's likely that one or maybe two of those applications made before loan 2 were declined.

Between October 2021 and when the next loan was approved in January 2022 (loan 3), Mr P had applied four times. So, I think that its likely most, if not all of those, had been declined.

Loan 3 was paid back on 3 February 2022.

Loan 4 was approved on what looks to have been the day after Mr P's payday date of 25 February 2022 (on 26 February 2022) and it was for £1,500. And I can identify that loan on the spreadsheet. So, it looks like the one before that for £800 was declined.

Without more information from MoneyBoat to clarify this, and using the information I have from both parties, I consider it reasonable of me to proceed on these facts which I have come to by piecing together the information available to me. And I am issuing a provisional decision to allow both parties to come back to me with more clarity if they wish.

After the £1,500 loan Mr P applied a further thirteen times (including three times after he'd complained to MoneyBoat in June 2022) and none were approved.

My provisional findings on the irresponsible lending

For loans 1 and 2, then I think that MoneyBoat would have been treating Mr P as a relatively new customer and he had provided information about this income and expenditure. It had

calculated that Mr P had about £599 a month in disposable income at loan 1's application and about £1,399 disposable income for the loan 2 application.

MoneyBoat carried out credit checks and we have been provided with those sets of results. I've looked at the two dated 15 May 2021 and 28 August 2021. There were some adverse elements noted on those credit search results. But lenders such as MoneyBoat are used to receiving applications from customers with adverse entries. Mr P's total figure for the loan debt had increased in August 2021.

However, overall, and considering

- that Mr P had repaid loan 1 quickly which would have been a positive factor for MoneyBoat to account for and
- that there was a gap between Mr P paying off loan 1 and applying for loan 2, and
- that loan 2 was for a relatively modest sum,

then all these elements combined lead me to think that MoneyBoat carried out proportionate checks and had assessed that Mr P was able to afford loans 1 and 2. I do not plan to uphold Mr P's complaint about loans 1 and 2.

In January 2022, when Mr P had applied for loan 3, I think that by then Mr P had had several loan applications declined by MoneyBoat.

In the FRL and in the spreadsheet I have been using which lists all the applications made by Mr P, I have the information about Mr P's declared income and expenditure.

He said he earned £2,786 a month and with his expenses deducted he would have had around £1,241 as disposable income. But I think that the declined loans and/or the fact that Mr P had been applying constantly for loans for several weeks, leads me to think that MoneyBoat ought to have made further checks and not relied on what Mr P had told it. It did carry out a credit search and I have reviewed that set of credit search results sent to us by MoneyBoat dated 3 January 2022.

There was some adverse information in the file but overall I'd not say that it was anything worse than when Mr P had applied for loan 2.

Loan 3 was still for a relatively modest sum and so, I plan to conclude that MoneyBoat's decision to lend was satisfactory. I plan not to uphold the complaint about loan 3.

Loan 4

Mr P applied for a large loan in February 2022 (£1,500) and couple of weeks after he'd paid off loan 3. Using the spreadsheet I have referred to earlier, I think that Mr P's loan application for £800 in February 2022 had been declined.

I have reviewed the credit file search MoneyBoat did do on 26 February 2022 and it shows that Mr P still had a lot of debt and had been actively seeking further credit and I say this because of the number of searches I can see (five in the previous 3 months and 14 in the previous 12 months). And Mr P had opened six accounts in the previous 6 months – some of which would have been MoneyBoat's accounts.

So, I think that after the application history with Mr P, that this was a much larger loan than the previous one and I think that the earlier loan had been declined, additional checks were warranted.

One way to have done this would have been to ask for more details about Mr P's financial situation and get a full picture. A convenient method to achieve this (but not the only way) is to ask to review copy bank statements.

Had MoneyBoat done that then I have been able to review what it would have seen, as Mr P

has sent to us copies for the period leading up to the application for loan 4.

In the month leading up to 22 February 2022, the bank account transactions reveal that Mr P was paying to at least four other high cost lenders, had failed transactions on the account, was paying to a well-known debt advice charity about £210 for what must have been a debt repayment plan of some kind, and his salary was about £1,000 less than his declared figure. He had taken a new loan with another high cost lender on 8 February 2022.

For all these reasons I consider that Mr P was not likely able to afford loan 4 and so I plan to uphold the complaint for loan 4.

How did the parties respond?

The outcome in my provisional decision was the same as that given by our adjudicator, although it contained additional information which I felt both should know about. I wanted to give both parties time to respond if they wanted to.

However, because it was the same outcome – loan 4 upheld - I did not really expect either to reply. Neither MoneyBoat nor Mr P have responded to the provisional decision.

So, I repeat here my provisional findings, duplicated earlier in this decision. I uphold Mr P's complaint about loan 4.

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 4 to Mr P, as I'm satisfied it ought not to have.

Clearly there are a great many possible, and all hypothetical, answers to that question. For example, having been declined this lending Mr P 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 P 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 P 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 P loan 4.

A. MoneyBoat should add together the total of the repayments made by Mr P towards interest, fees and charges on all upheld loans without an outstanding balance, not including anything you have already refunded.

B. MoneyBoat should calculate 8% simple interest* on the individual payments made by Mr P which were considered as part of "A", calculated from the date Mr P originally

made the payments, to the date the complaint is settled.

C. MoneyBoat should pay Mr P the total of “A” plus “B”.

D. MoneyBoat should remove any adverse information recorded on Mr P’s credit file in relation to loan 4.

*HM Revenue & Customs requires MoneyBoat to deduct tax from this interest. MoneyBoat should give Mr P 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 P’s complaint in part and I direct that Evergreen Finance London Limited trading as MoneyBoat.co.uk does as I have outlined above.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr P to accept or reject my decision before 8 June 2023.

Rachael Williams
Ombudsman