

Complaint

Mr M has complained that Evergreen Finance London Limited (trading as “Moneyboat”.co.uk) irresponsibly lent to him. He’s also said that he wasn’t treated fairly when he explained that he was struggling to pay his loan back.

Background

Moneyboat provided Mr M with a loan for £250 in September 2020. The loan, which had interest of £87.05, was due to be repaid in three monthly instalments of £112.35.

One of our adjudicators reviewed what Mr M and Moneyboat had told us. And he thought that the checks Moneyboat carried out before giving Mr M his loan were proportionate. However, he didn’t think that Moneyboat had acted fairly and reasonably once it became aware of Mr M’s financial difficulties. So he partially upheld Mr M’s complaint.

Moneyboat didn’t respond to our adjudicator’s assessment. So the case was passed to an ombudsman for a final decision.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Mr M’s complaint.

Having carefully considered everything I’ve decided to partially uphold Mr M’s complaint. I’ll explain why in a little more detail.

Initial decision to lend

Mr M was provided with a high-interest loan, intended for short-term use. So Moneyboat needed to make sure that it didn’t provide it irresponsibly. In practice, what this means is Moneyboat needed to carry out proportionate checks to be able to understand whether Mr M could afford to repay his loan before he provided it.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

Mr M took out a single loan for £250. The loan was due to be repaid over three instalments of £112.35

Moneyboat says it agreed to Mr M's application after he'd provided details of his monthly income and expenditure. It says the information Mr M provided on his income and expenditure coupled with other checks it carried out showed that he'd be able to comfortably make the repayments he was committing to. And in these circumstances it was reasonable to lend.

I've carefully thought about what Mr M and Moneyboat have said. The first thing for me to say is that this was Mr M's first loan with Moneyboat. So I don't think that there was any established pattern in Mr M's borrowing needs at this stage. The information provided does suggest that Mr M was asked to provide details of his income and expenditure. Bearing in mind the amount of the monthly repayment, the questions Moneyboat asked Mr M and this was Mr M's first loan, I don't think it was unreasonable for Moneyboat to rely on the information Mr M was providing.

I accept that Mr M's actual circumstances may not have been reflected either in the information he provided, or the other information Moneyboat obtained. And I'm sorry to hear that Mr M struggled to repay his loan. But Moneyboat could only make its decision based on the information it had available at the time. And, at this stage of the lending relationship, I don't think proportionate checks would've extended into Moneyboat asking Mr M to evidence what he was declaring.

Equally, it's only really fair and reasonable for me to uphold a complaint where I can say a lender did something wrong. And, in this case, I don't think that Moneyboat did anything wrong in deciding to lend to Mr M - it carried out proportionate checks even though it looks like the information it might've been provided with was inaccurate. It relied on the information it was provided with and given the amount of the repayment involved, Mr M's declared income and Mr M was only provided with one loan, I don't think that this was unreasonable.

Moneyboat's response to Mr M's financial difficulties

I turn now to Mr M's concerns regarding Moneyboat's response to his financial difficulties.

It isn't in dispute that Mr M got in contact with Moneyboat to explain that he was having difficulty repaying his loan. Mr M asked to repay what he owed at an amount of £20 a month. Once a lender is told, or it realises, that a borrower is experiencing financial difficulties we would expect it to exercise forbearance and due consideration, in line with its regulatory obligations.

I can see that Moneyboat did attempt to set up repayment arrangements with Mr M. However, Mr M subsequently withdrew his permission for funds to be taken from his account, after an unexplained additional fee was added to his balance.

Both Mr M and our adjudicator have asked Moneyboat to explain what the additional charge were for. Especially as this was added in circumstances where Moneyboat accepted that Mr M was having difficulty repaying his loan.

However, Moneyboat hasn't responded to these requests for clarification. Given Mr M was already struggling to repay what he owed and Moneyboat accepted that this was the case, I don't think that it was fair and reasonable for Moneyboat to add additional charges over and above what was originally due on the loan, to Mr M's account at this stage.

Therefore, as Moneyboat hasn't explained what these charges are for and I'm satisfied that all parties have accepted Mr M was experiencing financial difficulties, I don't think that it was fair and reasonable for these charges to be added to Mr M's balance.

It therefore follows that I'm partially upholding Mr M's complaint and that Moneyboat needs to put things right.

Fair compensation – what Moneyboat needs to do to put things right for Mr M

Having thought about everything, Moneyboat should put things right for Mr M by:

- removing any and all additional interest, fees and charges applied to Mr M's balance over and above the amount due at the outset. The payments Mr M made should be deducted from the new balance – the £337.05 originally due under the agreement. If Mr M has already repaid more than £337.05 then Moneyboat should treat any extra as overpayments. And any overpayments should be refunded to Mr M;
- adding interest at 8% per year simple on any overpayments, if any, from the date they were made by Mr M to the date of settlement†
- if no outstanding balance remains after all adjustments have been made, all adverse information Moneyboat recorded about this loan should be removed from Mr M's credit file.
- if an outstanding balance does remain once all adjustments have been made, Moneyboat should write this off. It should also reflect that the loan was settled (whether with a portion written off or repaid in full) in April 2021, depending on whether a balance would have remained at this time.

† HM Revenue & Customs requires Moneyboat to take off tax from this interest. Moneyboat must give Mr M a certificate showing how much tax it has taken off if he asks for one.

My final decision

For the reasons I've explained, I'm partially upholding Mr M's complaint. Evergreen Finance London Limited should put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 9 May 2023.

Jeshen Narayanan
Ombudsman