

## The complaint

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

## What happened

Mr B applied for and was approved for two loans. One was for £200 on 23 May 2018, and then a second one for £400 loan on 2 August 2018. The first loan was repayable over three months at £84.13 each month. It was repaid on 31 July 2018 and a couple of days later Mr B took loan 2 which had a repayment schedule of four months at £156.40 each month so a marked increase.

According to MoneyBoat's records, the loan was unpaid in May 2022 and so as it was a 2018 loan I think it's likely that the loan remains outstanding.

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

One of our adjudicators looked at it and thought that MoneyBoat had not done anything wrong in relation to loan 1. But he did think Mr B was paying out too much each month on other credit for loan 2 to have been affordable. Our adjudicator had used the credit search results MoneyBoat had obtained the day the loan was approved in August 2018. He said:

*'I've estimated Mr B's existing monthly credit commitments to be around £780 from the credit checks completed at the time of the second loan. Deducting these credit commitments from his £1,400 declared monthly income along with declared outgoings of £300 for rent, £80 for food and £100 for other expenses, leaves £140 from which Mr B would be expected to make the four loan instalments of about £155 each.*

*I think the information you gathered showed Mr B was having problems managing his money. In these circumstances, I think you ought to have realised it was unlikely Mr B would've been able to sustainably repay the second loan.'*

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

Our adjudicator did accept a couple of the amendments MoneyBoat had pointed out in relation to the credit search results from 2018. That effectively reduced the amount the adjudicator had calculated as being Mr B's monthly cost for his debt.

But as the matter remained unresolved the complaint was passed to me to decide. On 21 March 2023 I issued a provisional decision in which I gave reasons why I considered that the complaint ought not to be upheld.

I gave time to both parties to respond and neither has. And so, set out in the next section is a duplicated provisional decision (in smaller type) followed by my final determination.

## **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 B 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 B'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 B. These factors include:

- Mr B 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 B 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 B 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 B. But I do not consider that this applied to Mr B's situation as he took two loans only.

MoneyBoat was required to establish whether Mr B 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 B 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.

### ***the provisional decision – duplicated***

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

Mr B did not respond to our adjudicator's view and so from that I take it to mean he has no issue with the adjudicator's outcome. So, I don't think that Mr B disagrees with the non-uphold for loan 1. So, I've not gone into detail about that loan.

For the avoidance of doubt, reviewing what I have about that loan and the information MoneyBoat had before approving Mr B's first loan application then I agree with our adjudicator. I do not think that MoneyBoat lent irresponsibly. Loan 1 was for £200, he was a new customer to MoneyBoat and the loan term of three months was short. Mr B's commitment to repay loan 1 to MoneyBoat was not particularly high each month and so overall I consider that Mr B's complaint about loan 1 ought not to be upheld.

MoneyBoat's records show me that Mr B repaid loan 1 without issue and then applied for loan 2 and that good repayment record would have been one of the elements it would have factored into the creditworthiness assessment for loan 2.

The second loan was for a modest sum of £400 and over a slightly longer term. The repayments were higher and due to commence 31 August 2018.

When Mr B applied for loan 2 he told MoneyBoat he earned £1,400 a month after tax and his outgoings were £300 for house expenditure, £50 a month for credit expenses, £100 for utilities and £80 for food each month. Some of these figures seem low amounts, for instance, £80 for food for a month is wholly unrealistic.

In the FRL MoneyBoat has set out a table in which it demonstrates that it had increased the expenses amounts by a further £270. I recognise that this may well have been to anticipate that Mr H's general expenses were higher than he had told them they were. And I consider that to have been a reasonable and prudent approach. On its own calculations MoneyBoat considered that Mr B had £600 a month left over and so was able to afford the £157 a month for this loan.

Reviewing the credit results MoneyBoat had obtained at the time then I have seen that Mr B had the following to repay:

- A £200 loan which was costing him £73 a month and the only unusual point about this entry was that the balance was not reducing. That might indicate that it was too new a loan to have registered any payment. Either way I have included the scheduled £73 a month.
- A loan where the balance was £982 costing Mr B £47 a month and this loan was one he had when he took loan 1. So little change there.
- A loan with a balance of £951 costing Mr B £52 a month and again, this was a loan he had when he applied for loan 1.
- A loan with a balance of £720 and the repayment was £108 a month.
- A loan with a balance of £387 with a repayment of £124 a month.

In addition, listed in Mr B's credit search results were two loans that Mr B had almost paid off. These were the two MoneyBoat raised queries about after receiving our adjudicator's letter of opinion.

One of those two loans had a balance of £127 with a repayment of £63 a month and the other had a balance of £58 with a repayment of £28 a month. As MoneyBoat has pointed out, these were likely going to have been closed by the time the first payment for the second MoneyBoat loan was due to be paid on 31 August 2018.

I think that there may have been one overlap of £63 with the first instalment of the MoneyBoat loan 2, but I accept MoneyBoat's submission in relation to them both – one of these other loans would have been paid off by 31 August 2018 and the other was about to be.

So, using the bulleted list above I think that Mr B's credit commitment without the MoneyBoat loan 2 payment being included was likely £73, plus £47, plus £52, plus £108 plus £124 which all comes to £404. And the Loan 2 MoneyBoat payment was going to take the amount each month to just over £560 per month.

One payment for one month of £63 was going to have to be paid as well and then I think that loan would have been paid off.

This is where my view departs from that held by our adjudicator - his thoughts were that Mr B had about £780 to pay each month on credit commitments but both MoneyBoat and I disagree with those figures. I think it was more like £560 including the new MoneyBoat loan 2.

So, proceeding on £560 a month for credit commitments going forward, including the MoneyBoat loan 2, then that would have been around 40% of Mr B's net monthly take-home pay. Still a little high but I have thought about this and for a £400 loan for a relatively short term I do not consider it to have been a percentage that MoneyBoat would have considered not achievable for Mr B.

Adding in Mr B's other costs and commitments I think the loan was affordable. And I've had to consider those expenses too as I can see that MoneyBoat did think that what Mr B had declared was too low and yet its additional sum (£270) had not been itemised. So, if I use Mr B's declared amounts of £300 for house expenditure, £100 for utilities and £80 for food each month and add in the £270 MoneyBoat thought it ought to be increased by then that comes to £750.

I've not included the £50 Mr B had declared for his credit commitments as that was incorrect. I've used the £560 credit commitments as assessed using the credit search results as I have explained earlier in this decision. That figure includes the MoneyBoat loan 2 repayment figure as well.

And so, the total comes to £1,310. With a declared income of £1,400 then I consider that these were the more realistic figures. And so, I consider that Loan 2 was affordable.

Looking at Mr B's overall credit situation, the credit search results obtained by MoneyBoat on 2 August 2018 contained some headline figures. Mr B owed £3,918 in total of which £3,707 were loans and £200 was a revolving credit account – such as a credit card.

Mr B had opened several accounts in the six months leading up to applying to MoneyBoat for loan 2, but one of those would have been the first MoneyBoat loan and his overall payment status was good. He had no defaults, no delinquent accounts, and one late payment in the last three years. All these factors created the picture that when MoneyBoat was carrying out its creditworthiness assessment then it was not likely to have been placed on alert to some deeper financial problem with Mr B.

Mr B has sent to us many screenshots of his credit situation. These are rather disjointed and many are undated but as screenshots I gather they likely are representations of Mr B's current credit report status.

My focus when being asked to consider an irresponsible lending complaint is what MoneyBoat looked for, found and assessed at the time the loans were being applied for. And so, the credit search result document MoneyBoat obtained in August 2018 was the relevant document for the purposes of this complaint for loan 2.

Reverting to what Mr B said in his complaint form I appreciate that Mr B has explained that at the time he had a gambling issue and I was sorry to read this. But it would have been disproportionate to expect MoneyBoat to have asked for and reviewed Mr B's bank account statements when the loans were relatively modest and his credit search results it undertook revealed nothing to alert it to an underlying problem. I do consider that what MoneyBoat did do was enough. And so it's not likely that MoneyBoat would have seen any copy bank statements which may have revealed what Mr B spent his money on.

And having reviewed the information Mr B gave to MoneyBoat when he applied for the loans, he has not indicated anywhere that he had a gambling issue at the time. It's not something I would have expected MoneyBoat to have known about Mr B unless he had told them. And I do not think it's likely that MoneyBoat would have known.

In the circumstances I consider that MoneyBoat was not wrong when it lent to Mr B for both loans 1 and 2.

I plan not to uphold Mr B's complaint.

This is the end of the duplicated provisional decision.

Neither party has replied to it or sent to me anything further to consider. In the circumstances I have reconsidered the complaint and I have come to the same outcome for the same reasons as given in my provisional decision. Those findings are duplicated here.

**My final decision**

My final decision is that I do not uphold the complaint.

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

Rachael Williams  
**Ombudsman**