The complaint

Mr A complains through a representative that Evergreen Finance London Limited trading as MoneyBoat.co.uk ("MoneyBoat") provided him with loans without carrying out appropriate affordability checks.

What happened

Mr A was granted three loans by MoneyBoat, I've outlined his borrowing history in the table below.

loan number	loan amount	agreement date	repayment date	number of monthly instalments	highest repayment per loan
1	£200.00	12/01/2021	30/04/2021	4	£72.27
2	£300.00	11/08/2021	31/12/2021	5	£96.72
3	£350.00	27/06/2022	outstanding	6	£110.73

An outstanding balance remained due for loan 3 when the final response letter (FRL) was issued by MoneyBoat.

MoneyBoat considered the complaint and didn't uphold it. It concluded it had made a reasonable decision to provide these loans because it had carried out proportionate checks which showed it Mr A could afford the loans. Unhappy with this response, Mr A's representative referred his complaint to the Financial Ombudsman.

The complaint was considered by an adjudicator, who didn't uphold it. He said MoneyBoat had reasonable grounds to believe Mr A could afford the loans and that it had carried out proportionate checks.

Mr A's representative didn't agree and instead asked for an ombudsman's final decision. As no agreement has been reached, the case has been passed to an ombudsman for a final decision.

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 Mr A 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 have taken into account a number of different things, such as how much was being lent, the size of the repayments, and Mr A'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 A. These factors include:

- Mr A 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 A 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 A 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 A. The adjudicator didn't consider it reached the point in the lending relationship where this applied.

MoneyBoat was required to establish whether Mr A 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 A 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 A's complaint.

Before I start looking at the checks before each loan was granted, I do need to point out that there is a gap in lending of around three months between loans 1 and 2 and then a further break in lending of six months between loans 2 and 3. This is important as it shows Mr A wasn't reliant on these loans because they weren't taken out in a consecutive manner. For example, loan 3, is clearly the start of a new lending chain – so although its loan 3, MoneyBoat could in effect treat this loan as loan one of a new lending chain. I've kept this mind when thinking about the checks it carried out.

Before each loan was approved, MoneyBoat asked Mr A for details of his income, which he declared as being £1,336 for loans 1, £1,593 for loan 2 and finally £2,100 for loan 3. MoneyBoat says the income figures were checked either by obtaining a copy of Mr A's wage slip or by cross referencing information through a third-party report.

Mr A also declared monthly outgoings of £700 for loan 1, £844 for loan 2 and £755 for loan 3. As part of the application process, MoneyBoat used information from its credit search (which I'll come onto discuss below) to adjust the declared expenditure Mr A had provided. As a result, of this check, Mr A's monthly expenditure was increased by £150 per month for loan 1, £6 for loan 2 and £95 for loan 3.

After carrying out these checks, Mr A's disposable income ranged from £486 at loan 1 to £1,250 for loan 2. Even when MoneyBoat made adjustments to the disposable income that

Mr A had declared, he still had sufficient income to be able to afford the repayments he had to make.

Before each loan was approved MoneyBoat also carried out a credit search and it has provided a summary of the results it received from the credit reference agency. It is worth saying here that although MoneyBoat carried out credit searches, there isn't a regulatory requirement to do one, let alone one to a specific standard. But what MoneyBoat couldn't do is carry out a credit search and then not react to the information it received – if necessary.

I've reviewed the credit check results and there isn't anything in any of the results that would've indicated that Mr A was having financial difficulties, for example it knew there were not any insolvency markers or debt management plans. There also wasn't anything within the results that indicated Mr A was reliant on these sorts of loans (or home credit loans).

At loan one, MoneyBoat knew that Mr A had defaulted on three accounts. One in 2018 and the other two were defaulted around a year before loan 1 was granted. I don't think it would've given them cause for concern given how long ago they were applied, and the fact MoneyBoat advanced relatively modest loans. I've also considered that MoneyBoat works in an area of the market where a credit file maybe less than perfect.

Overall, there was also nothing else in the information that I've seen that would've led MoneyBoat to believe that it needed to go further with its checks – such as verifying the information Mr A had provided. So, while Mr A's representative has provided his bank statements, in this case, it would've been disproportionate for MoneyBoat to have considered them.

Given the evidence provided, I think it was reasonable for MoneyBoat to have relied on the information Mr A gave about his income and expenditure to show he had sufficient disposable income to afford the repayments he was committed to making. There also wasn't anything else to suggest that Mr A was having financial difficulties or that these loans would be unsustainable for him.

I'm therefore not upholding Mr A's complaint.

My final decision

For the reasons I've explained above, I'm not upholding Mr A's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 16 August 2023.

Robert Walker
Ombudsman