The complaint

Mr S complains through a representative that Evergreen Finance London Limited trading as MoneyBoat.co.uk ("MoneyBoat") provided him with loans which he couldn't afford.

What happened

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

loan number	loan amount	agreement date	repayment date	number of instalments	highest repayment per loan
1	£400.00	09/08/2019	25/11/2019	4	£140.77
2	£400.00	29/11/2019	25/03/2020	4	£153.72
3	£400.00	09/04/2020	24/07/2020	4	£144.94
4	£300.00	12/08/2020	25/11/2020	4	£106.72
5	£400.00	04/12/2020	25/03/2021	4	£149.53
6	£400.00	07/05/2021	25/08/2021	4	£146.86

MoneyBoat reviewed Mr S's representative's complaint and didn't uphold it because the lending appeared affordable. Unhappy with this response, Mr S's representative referred the complaint to the Financial Ombudsman.

An adjudicator then considered the complaint and he upheld it in full. Firstly, he said the credit check carried out before loan one was advanced showed arrears on Mr S's mortgage and a recent default. And by loan six, the lending was now harmful for Mr S.

MoneyBoat disagreed with the adjudicator's assessment. In summary it said:

- While it knew Mr S's mortgage was in arrears – it had been that way for at least a year, but the account hadn't defaulted, and the balance was decreasing.
- While there were some active accounts, the number decreased over time, and by loan six there were only three outstanding.
- The information MoneyBoat was aware of wasn't enough to have prevented it from approving the loans, instead it accepts it perhaps ought to have asked for more information.

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 S 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 S'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 S. These factors include:

- Mr S 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 S 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 S 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 S. The adjudicator considered this applied to loan six only.

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

Loans 1 – 5

Before each loan was approved, MoneyBoat asked Mr S for details of his income, which he declared as being between £2,300 at loan one down to £1,970 at loan five. MoneyBoat says the income figures were checked by cross referencing information through a third-party report.

Mr S also declared monthly outgoings as low as £1,008 when loan three was advanced and as high as £1,479 when loan one was granted. 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 S provided. As a result, of this check, Mr S's monthly expenditure was increased for each loan - by £315 for loan one and then smaller sums of between £30 and £60 for the remaining loans.

After carrying out these checks, Mr S's disposable income ranged from £505 at loan two to as large as £955 at the time loan four was granted. And so even when MoneyBoat made adjustments to the disposable income Mr S 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.

And its these credit search results that the adjudicator thought showed sufficient financial distress that these loans ought to not have been provided. Looking at the results from loan one, MoneyBoat knew that Mr S had total debts of around £84,000 but nearly £83,000 of that was owed on a mortgage.

But on revolving budget / credit accounts MoneyBoat knew that Mr S was significantly over his credit limits – he owed £517 compared to credit limits of £350. It also knew there were six active credit accounts and four accounts had entered delinquency within the last year. So, there signs Mr S had, in the not too distant past, had some repayment problems on credit account(s).

MoneyBoat also knew within the last six years Mr S had defaulted on a total of six accounts. And while some were historic – Mr S had defaulted on credit card accounts in April 2019 and in June 2019 – around six weeks before loan one was advanced. Clearly, according to the credit report, in the month(s) leading up to loan one being approved, Mr S was having financial difficulties to the extent that he couldn't maintain his contracted payments on two accounts.

I can see the mortgage account was significantly in arrears and at the point the loan was approved and was showing as "5" which means that it was at least five months in arrears. I would agree with MoneyBoat that the mortgage account had been in arrears for some time. And I would also agree with MoneyBoat that Mr S was making some repayments towards these arrears.

However, the contracted monthly payment for this mortgage – according to the credit report was due to be £615 per month but Mr S wasn't making this payment. Indeed, the month before the loan was approved, he paid £542 and the month before that he paid £537.

Overall, I do think the fact that Mr S's mortgage was in arrears, and he still wasn't paying the contractual amount due ought to have led MoneyBoat to have conclude that Mr S was already having financial difficulties to the extent that he was in arrears with his mortgage – which is a priority debt and still wasn't making the contracted payment he was due to pay to keep on top of the payments. And Mr S had also recently shown that he had struggled to pay two other accounts as well - because these two credit card accounts had defaulted.

It is of course possible, that MoneyBoat now feels it ought to have done further checks at the time, but I'm satisfied given the arrears on the priority debt and the recent defaults – which further demonstrates that Mr S was having difficulties maintaining his repayments that it ought to have taken the decision not just to lend loan one, but also all subsequent loans.

I'm therefore not upholding Mr S's complaint about loans 1 – 5.

Loan 6

MoneyBoat carried out the same sort of check before this loan was approved as it had done for the previous loans. Those check showed that Mr S had around £778 per month in disposable income. But it is worth saying here that there had been some fluctuation in the expenditure information Mr S had recently been providing – for example, he declared no transport costs for loan 5, yet he declared £70 for loan six. His “other” commitments were now £110 per month more than his previous loan.

So, in addition to looking at the checks that MoneyBoat did, I’ve also looked at the overall pattern of MoneyBoat’ lending history with Mr S, with a view to seeing if there was a point at which MoneyBoat should reasonably have seen that further lending was unsustainable, or otherwise harmful. And so MoneyBoat should have realised that it shouldn’t have provided any further loans.

Given the particular circumstances of Mr S’s case, I think that this point was reached by loan 6. I say this because:

- At this point MoneyBoat ought to have realised Mr S was not managing to repay his loans sustainably. Mr S had taken out his sixth loan in 21 months. So MoneyBoat ought to have realised it was more likely than not Mr S was having to borrow further to cover a long-term short fall in his living costs.
- From his first loan, Mr S was generally provided with a new loan fairly quickly after a previous loan was repaid, for example, there is only a four-day gap between loans one and two. To me, this is a sign that Mr S was using these loans to fill a long-term gap in his income rather than as a short-term need.
- Over the course of the lending relationship, Mr S’s monthly commitment to MoneyBoat remained broadly similar which demonstrates to me that Mr S was merely servicing the debt with MoneyBoat rather than making headway into what was owed.
- Mr S wasn’t making any real inroads to the amount he owed MoneyBoat. Loan 6 was taken out 21 months after Mr S’s first loan and was to be repaid over a similar term. His final loan was also for the same amount as his first. Mr S had paid large amounts of interest to, in effect, service a debt to MoneyBoat over an extended period.

I think that Mr S lost out when MoneyBoat provided loan 6 because:

- the loan had the effect of unfairly prolonging Mr S’s indebtedness by allowing him to take expensive credit intended for short-term use over an extended period of time
- the number of loans and the length of time over which Mr S borrowed was likely to have had negative implications on Mr S’s ability to access mainstream credit and so kept him in the market for these high-cost loans.

Overall, I’m upholding Mr S’s complaint about all of his loans and I’ve outlined below what MoneyBoat needs to do in order to put things right.

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 to Mr S, as I’m satisfied it ought to have. Clearly there are a great many possible, and all hypothetical, answers to that question.

For example, having been declined this lending Mr S may have simply left matters there, not attempting to obtain the funds from elsewhere. If this wasn’t a viable option, they may have looked to borrow the funds from a friend or relative – assuming that was even possible.

Or, they 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 they had done that, the information that would have been available to such a lender and how they would (or ought to have) treated an application which may or may not have been the same is impossible to now accurately reconstruct. 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 S in a compliant way at this time.

Having thought about all of these possibilities, I'm not persuaded it would be fair or reasonable to conclude that Mr S 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 lent to Mr S.

A. MoneyBoat should add together the total of the repayments made by Mr S towards interest, fees and charges on these loans, including payments made to a third party where applicable, but not including anything MoneyBoat has already refunded.
B. MoneyBoat should calculate 8% simple interest* on the individual payments made by Mr S which were considered as part of "A", calculated from the date Mr S originally made the payments, to the date the complaint is settled.
C. MoneyBoat should pay Mr S the total of "A" plus "B".
D. MoneyBoat should remove any adverse information recorded on Mr S's credit file in relation to loans 1 - 5. The overall pattern of Mr S's borrowing for loan 6 means any information recorded about it is adverse, so MoneyBoat should remove the loan entirely from Mr S's credit file.

*HM Revenue & Customs requires MoneyBoat to deduct tax from this interest. MoneyBoat should give Mr S a certificate showing how much tax it has deducted, if he asks for one.

My final decision

For the reasons I've explained above, I'm upholding Mr S's complaint about all of his loans.

Evergreen Finance London Limited trading as MoneyBoat.co.uk should put things right as directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 29 September 2023.

Robert Walker
Ombudsman