The complaint

Mr L complains Evergreen Finance London Limited trading as MoneyBoat.co.uk (“MoneyBoat”) provided him with three loans in the same month and he had to borrow money from other providers to repay them.

Mr L also says the interest rate was too high.

What happened

A summary of Mr L’s borrowing can be found in the table below.

loan number	loan amount	agreement date	repayment date	number of monthly instalments	highest repayment per loan
1	£500.00	10/05/2022	10/05/2022	6	£141.61
2	£200.00	13/05/2022	18/05/2022	6	£61.07
3	£300.00	18/05/2022	13/02/2023	6	£85.00

MoneyBoat considered the complaint and concluded it had made a reasonable decision to provide these loans because it had carried out proportionate checks. Unhappy with this response, Mr L 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 L could afford the loans and it had carried out proportionate checks.

Mr L didn’t agree saying he didn’t see how MoneyBoat had confirmed his income. 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 L 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 L’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 L. These factors include:

- Mr L 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 L 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 L 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 L. The adjudicator didn't consider it reached the point in the lending relationship where this applied and I agree, considering only three loans were granted.

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

Before each loan was approved, MoneyBoat asked Mr L for details of his income, which he declared as decreasing with each loan – from £3,800 for loan 1 to £3,000 by the time he applied for loan 3.

MoneyBoat says the income figures were checked either by obtaining a copy of Mr L's wage slip or by cross referencing information through a third-party report. A copy of this report and / or the wage slips that MoneyBoat may have received haven't been provided.

Notwithstanding the additional checks MoneyBoat may have done into Mr L's income, I would add, is that it would be unusual that Mr L's income could fluctuate by as much as £800 when all the loans were taken within 8 days of each other. So, it isn't clear, which if any of the incomes is accurate, but even taking the lowest amount Mr L declared – the loans still appeared affordable.

Mr L also declared he didn't have any monthly outgoings for loan 1, and then £315 for loan 2 and £355 for loan 3. As part of the application, MoneyBoat used information from its credit searches (which I'll come onto discuss below) and from the "*Common Finance Statement*" to adjust the declared expenditure Mr L had provided. As a result, Mr L's monthly expenditure was increased by £850 per month for loan 1, £535 for loan 2 and £495 for loan 3.

In Mr L's complaint this means that for each loan, MoneyBoat considered Mr L's monthly outgoings, amounted to £850 per month and it was this figure which was used for the affordability assessment.

After carrying out these checks, even using the lower income figure of £3,000 and the highest expenditure figure of £850, Mr L had more than enough disposable income to be able to afford the payments he was committed to making.

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 they are all similar which isn't surprising considering the close proximity of the loan applications. The results indicated that Mr L wasn't either insolvent or had County Court Judgements recorded against him. Mr L had in my view, quite a significant amount of total debt of around £38,000. But around £33,000 of it was due to two recently opened hire purchase agreements where he was due to pay a total of £658 per month.

I can see that Mr L was over his credit limit on two credit cards. On one it seems to have been the case that the provider had reduced his credit limit and on the other one he was over the limit by £6. Given the marketplace that MoneyBoat provides money in, I don't think that information on its own would've prompted further checks, considering the relatively modest sums borrowed and that a consumer having some less than perfect information on their credit file wouldn't be a barrier to be provided with this type of credit.

MoneyBoat knew that Mr L had defaulted on one account in 2017, but as this was around five years before these loans were applied for then I don't consider it would've been concerned by this.

In addition, one account had entered delinquency in June 2021 but had been repaid in full by August 2021. Overall, I don't think given the time that had passed since the last default or delinquent account would've led MoneyBoat to have either carried out further checks or led it to decline Mr L's applications solely based on the credit search results.

Given the total Mr L needed to repay on his hire purchase agreements, plus his mail order and credit card accounts this likely led to monthly repayments of around £800. And it's also likely, there were other outgoings as well, as Mr L had declared for loan 3. But even substituting the credit commitment amount to his other expenditure which Mr L had declared than the loans still appeared affordable.

For these loans I've not seen enough to make me think MoneyBoat needed to go further with its checks – such as verifying the information he had provided. In my view that would've been disproportionate.

I've also thought about what Mr L has said about the interest rate. It seems the rate MoneyBoat has charged is outlined in the credit agreements he signed. In addition, there is a cost cap which was introduced by the regulator. However, having looked at the payments Mr L has made, MoneyBoat hasn't breached the cost cap. So, while, Mr L may feel the interest was too high for these loans, I can't conclude MoneyBoat has made an error by charging what it did.

Overall, the checks MoneyBoat carried out where proportionate and indicated that Mr L would be able to repay these loans. There also wasn't anything else to suggest that Mr L was having or likely having financial difficulties or that these loans would be unsustainable for him.

I’m therefore not upholding Mr L’s complaint.

My final decision

So, for the reasons I’ve explained above, I’m not upholding Mr L’s complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr L to accept or reject my decision before 30 August 2023.

Robert Walker
Ombudsman