

The complaint

Mr L complains through a representative that Evergreen Finance London Limited trading as MoneyBoat.co.uk (MoneyBoat) provided him with loans without carrying out the proper checks. Had it done so, MoneyBoat would've realised the loans weren't affordable.

What happened

Mr L was advanced three loans, a summary of his borrowing can be found below.

loan number	loan amount	agreement date	repayment date	instalments	instalment amount
1	£400.00	19/06/2020	25/09/2020	4	£136.38
2	£1,000.00	25/09/2020	05/10/2020	6	£311.34
3	£1,000.00	18/11/2020	01/02/2021	6	£269.15

Following Mr L's representative's complaint, MoneyBoat wrote and explained it had carried out affordability checks which showed Mr L could afford the loan repayments. Unhappy, with this outcome, Mr L's representative then referred the complaint to the Financial Ombudsman.

An adjudicator reviewed the complaint and he thought MoneyBoat had made a reasonable decision to provide loan 1. But he also thought MoneyBoat ought not to have provided loans 2 and 3. He said the credit checks showed at loan 2 a number of active payday loans. Taking account of those payments, along with what Mr L was due to pay MoneyBoat, the adjudicator said this represented a significant portion of Mr L's declared income. So, he upheld loans 2 and 3.

MoneyBoat didn't agree with the adjudicator's assessment. It said one payday loan which was identified was repaid before payments for loan 2 were made. And while the payment on the other outstanding payday loan was said to be £330 per month, Mr L wasn't making those payments – as can be seen from the transactional history.

As no agreement has been reached, the case was passed to an ombudsman and I proceed to issue a provisional decision explaining the reasons why I was intending to not uphold Mr L's complaint.

Both Mr L's representative and MoneyBoat were asked to provide anything further for consideration as soon as possible, but in any event, no later than 2 June 2023.

Neither MoneyBoat nor Mr L (or his representative) responded to or provided any more information for consideration.

A copy of the provisional findings follows this in smaller text and italics and forms part of this final decision.

What I said in my provisional decision:

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've 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 think this applied to Mr L's complaint.

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 in particular, 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.

Neither MoneyBoat nor Mr L's representative appear to disagree with the findings the adjudicator reached about loan 1. I therefore, no longer think this loan is in dispute and I say no more about it. Instead, this decision will focus on whether MoneyBoat carried out proportionate checks before it granted loans 2 and 3.

Loan 2

MoneyBoat has shown that as part of the affordability assessment it asked Mr L for details of his income and expenditure. Mr L's income has been recorded as being £2,050 per month.

Mr L also declared his monthly outgoings were £1,000 – which covered costs such as rent, food, credit commitments, and other. However, having carried out further checks including bringing Mr L in line with items listed on the "Common Financial Statement" and a credit search which I comment on below - MoneyBoat increased Mr L's monthly expenditure by a further £517.

After this adjustment it left Mr L with disposable monthly income of £533. This was more than sufficient for MoneyBoat to believe Mr L could afford the largest monthly repayment of around £311. The loan therefore, looked affordable.

Before this loan was approved MoneyBoat also carried out a credit search and it has provided the Financial Ombudsman with a copy of the results it received from the credit reference agency. I want to add that although MoneyBoat carried out a credit search 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 to the information it received.

MoneyBoat was also entitled to rely on the information it was given. So, I've taken a look at the results to see whether there was anything contained within it that would've either prompted MoneyBoat to have carried out further checks or possibly have declined Mr L's application.

I can see that at the time this loan was advanced, there were two payday loans and one finance house loan active. However, one of the payday loans was repaid before any payments for this loan was made – although I accept MoneyBoat may not have known that at the time, but I think it was reasonable to believe – given the other data in the credit file that the loan would be repaid. The other payday loan was Mr L's first loan from MoneyBoat – and we know that was closed the same day this loan was taken.

In terms of the Finance House loan which was opened in 2019, while the credit file suggested a payment of £330 was required each month. Mr L was actually paying around £50 per month and the balance within the transactional history fluctuated – but importantly, there was no adverse credit file information being recorded about the payments.

I disagree, with the adjudicator that MoneyBoat would've been concerned about the payments to other loan providers and that a significant portion of his income was needed to repay his loans. Indeed, when loan 2 was advanced, he had the cost of this loan as well as another £50 towards the 2019 Finance House loan. Given the circumstances, this is clearly, not enough to say that the loan was unaffordable or unsustainable.

I accept there was some adverse information reported, for example a discharged bankruptcy in 2018 and there had been several defaults recorded, but these were mainly recorded in 2017. So, I do think, these were all too far removed from Mr L's loan start date that MoneyBoat chose not to be concerned by them. And there was, at various points, a history of Mr L taking out and repaying payday loans. However, at the time the loan was approved, the only other loans were the ones I've mentioned above.

Overall, for this loan, in my view, the checks MoneyBoat carried out were proportionate and showed it that Mr L would be able to afford his loan repayments. I am therefore intending not upholding Mr L's complaint about this loan.

Loan 3

Loan 2, was repaid much more quickly than MoneyBoat had expected, indeed, as a result of Mr L repaying after 10 day he was only charged £70 interest. Mr L then didn't return for further borrowing for around six weeks, and when he did, he was advanced the same amount of money as he was for loan 2. Except, this time, his monthly repayments were lower. I've kept this in mind when thinking about the checks MoneyBoat carried out. But loans 1 and 2 had been repaid in a satisfactory manner and that wouldn't have given MoneyBoat any cause for concern.

MoneyBoat carried out the same type of checks for this loan as it had done so for the previous one. So, it asked Mr L for his income, and he declared it to be £2,085 per month. It also asked about his expenditure, which was declared as being £1,200 per month. As before, following its further checks, MoneyBoat increased Mr L's monthly expenditure by a further £467.

Therefore, he was left with £418 per month in disposable income in which to be able to afford his loan repayments.

A credit search was also again carried out and the results were much the same as there were when loan 2 was approved.

Mr L's total outstanding debt was significantly greater than it was when loan 2 was advanced but this seems to have been as a result of a default – which was recorded in October 2017 for £8,035 now being reported. However, this wasn't new lending that Mr L had taken since loan 2.

The credit file showed much the same (apart from the above new account) as was visible when loan 2 was approved. Which means while there was historic adverse data such as defaults and a history of taking out payday loans but at this time, given what MoneyBoat already knew I wouldn't say the checks needed to go further than they did.

Which means it was entitled to rely on the information Mr L had provided which showed the loan was affordable for him.

Having taken account of everything that MoneyBoat was told and provided with, I still think, even with the increase in borrowing that it was still just about reasonable for it to rely on the information Mr L had provided. It therefore follows that I'm going to conclude the checks were proportionate and these checks showed MoneyBoat the loan was affordable.

I am therefore also not upholding Mr L's complaint about this loan as well.

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.

As neither party has provided anything new for my consideration, I see no reason to depart from the findings that I made in the provisional decision. I still think, MoneyBoat carried out proportionate checks which showed it that Mr L was likely to be able to afford the repayments he was committed to making.

I therefore do not uphold Mr L's complaint.

My final decision

For the reasons I've explained above and in the provisional decision, 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 6 July 2023.

Robert Walker
Ombudsman