DRN-4191216

The complaint

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

What happened

Miss C was granted four loans by MoneyBoat, I've outlined her borrowing history in the table below.

loan number	loan amount	agreement date	repayment date	number of instalments	highest repayment per loan
1	£400.00	08/03/2021	29/04/2021	4	£157.82
2	£700.00	12/05/2021	07/06/2021	6	£211.66
3	£400.00	11/06/2021	07/07/2021	5	£134.19
4	£300.00	16/07/2021	07/12/2021	5	£97.98

MoneyBoat considered the complaint and concluded it had made a reasonable decision to provide these loans because it had carried out proportionate checks which showed it Miss C could afford them. Unhappy with this response, Miss C's representative referred her complaint to the Financial Ombudsman.

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

Miss C'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 Miss C could afford to pay back the amounts she'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 Miss C'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 Miss C. These factors include:

- Miss C 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);
- Miss C 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);
- Miss C 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 Miss C. The adjudicator didn't consider it reached the point in Miss C's complaint.

MoneyBoat was required to establish whether Miss C could *sustainably* repay the loans – not just whether she technically had enough money to make her repayments. Having enough money to make the repayments could of course be an indicator that Miss C was able to repay her 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 Miss C's complaint.

Before each loan was approved, MoneyBoat asked Miss C for details of her income, which she declared as being between £1,400 and £1,600 per month. MoneyBoat says the income figures were checked by cross referencing information through a third-party report but the results of this report haven't been provided.

Miss C also declared monthly outgoings as low as £660 when loan 2 was advanced and as high as £815 when loan 4 was granted. As part of the application, MoneyBoat used information from its credit searches (which I'll come onto discuss below) to adjust the declared expenditure Miss C had provided. As a result, of this check, Miss C's monthly expenditure was increased by as little as £35 per month at loan 4 to £190 per month at loan 2.

After carrying out these checks, Miss C's disposable income ranged from £550 to £750 per month. Even when MoneyBoat adjusted the disposable income that Miss C had declared, she still had sufficient income to be able to afford the repayments she 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.

Having reviewed the credit check results, there isn't anything in any of the results that would've indicated that Miss C was having current financial difficulties, for example it knew there were no current insolvency markers, County Court Judgements or debt management plans. And for each loan application it knew that Miss C hadn't defaulted on any account within the last three years.

It did know that Miss C had been discharged from a Debt Relief Order in October 2017 but as this was over three years before the first loan was approved, I don't think that would've given MoneyBoat any cause for concern or to have prompted it to have carried out further checks.

In addition, all these loans appear to have either been repaid early or on time and the loan amounts weren't always increasing. And so, there wasn't anything solely from the way these loans were managed which would've shown MoneyBoat that Miss C was having or likely having financial difficulties.

Overall, there was also nothing 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 Miss C had provided. So, while Miss C's representative has provided her 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 Miss C gave about her income and expenditure to show she had sufficient disposable income to afford the repayments she was committed to making. I also consider the checks it carried out to be proportionate. Finally, there wasn't anything else to suggest that Miss C was having financial difficulties – such as in the way the loans were repaid, or that these loans would be unsustainable for her.

I'm therefore not upholding Miss C's complaint.

My final decision

For the reasons I've explained above, I'm not upholding Miss C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 24 August 2023.

Robert Walker
Ombudsman