DRN-4195724

The complaint

Mr B 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 B was granted two loans by MoneyBoat, and I've outlined a summary of his borrowing history in the table below.

loan number	loan amount	agreement date	repayment date	number of instalments	highest repayment per loan
1	£200.00	19/03/2022	29/04/2022	2	£115.57
2	£1,500.00	15/05/2022	open	6	£417.21

MoneyBoat says as of February 2023 an outstanding balance remains due for loan two.

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 B's representative referred the 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 Mr B could afford the loans because it had carried out proportionate checks.

Mr B, through is representative didn't agree, he said his bank statements - which he provided showed multiple loans being advanced and he had defaults on his credit file.

As no agreement could be reached, the case has been passed to me for a 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 B 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 B'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 B. These factors include:

- Mr B 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 B 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 B 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 B. The adjudicator didn't consider it reached that point in the lending relationship where this applied and I agree, as there were only two loans.

MoneyBoat was required to establish whether Mr B 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 B was able to repay his loans sustainably. But it doesn't automatically follow that this is the case.

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 B's complaint.

Before each loan was approved, MoneyBoat asked Mr B for details of his income, which he declared as being £2,166 per month for both loans. MoneyBoat says the declared income figures were checked by cross referencing information through a third-party report provided by a credit reference agency.

Mr B also declared monthly outgoings as £370 when loan one was advanced and £450 when loan two was advanced. For both loans Mr B declared only £150 per month for rent / mortgage which in some situations ought to be considered too low and further enquires would've needed to have been made.

However, MoneyBoat has said that as part of his application he declared he lived with parents. And as such, I do think it was reasonable for MoneyBoat to believe that he did indeed have a larger amount of disposable income and that there was a smaller risk of Mr B having problems repaying priority bills and would explain the modest rent / mortgage figure.

As part of the application, MoneyBoat used information from its credit searches and from the "*Common Financial Statement*" to adjust the declared expenditure Mr B had provided. As a result, of this check, Mr B's monthly expenditure was increased by a further £480 per month for loan one and a further £400 for loan two. After carrying out these checks, Mr B potentially had sufficient disposable 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 copy 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.

Having reviewed the credit check results, there isn't anything in them that would've indicated that Mr B was having current financial difficulties, for example it knew there were no current insolvency markers or debt management plans. And for each loan it knew that Mr B hadn't defaulted on any account within the last year.

However, there were clear signs that between July 2019 and March 2020 Mr B had significant financial difficulties because there were eight defaults recorded in this period. And while one default had been settled and some were with debt collection agencies, I don't think these defaults alone would've prompted MoneyBoat to have carried out further checks.

I say this because since the last default had been recorded, around two years before these loans were advanced there hadn't been any further adverse information reported by other creditors. According to the credit report, Mr B only had three open accounts at the time of loan one – a credit card, a hire purchase (HP) account and a current account. And none of these accounts had any adverse information reported about them.

So, I do think it was reasonable for MoneyBoat to have concluded that whatever the financial difficulties Mr B had experienced in the not too distance past had now been resolved because he was up to date with his current repayments. I would also add that given the general marketplace that MoneyBoat operates in, it wouldn't expect to always see an immaculate credit file.

The credit search for loan two showed MoneyBoat similar results as it was given for loan one – which isn't surprising. Except, this time, the HP account had been settled and there was a new credit card being reported. However, at the time the search was carried out Mr B hadn't used any of the balance of the new credit card – according to the credit search results.

There was some indication that perhaps since the start of 2022, Mr B may have been advanced some payday loans. But these had been repaid without apparent difficulties and there wasn't anything to suggest that Mr B had outstanding payday loan(s) when loan two was advanced.

In addition, loan one was repaid as expected. So, there wasn't anything solely from the way these loans were managed, which would've shown MoneyBoat that Mr B was having or likely having financial difficulties.

I've also considered that loan two was for much larger sum than loan one, but I do think, given what else MoneyBoat knew about Mr B that it was just around reasonable for it to have relied on the income and expenditure information and the credit search results before approving the loan.

Which has led me to conclude that there wasn't enough 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 B had provided. So, while Mr B has provided copy bank statements, in this case, it would've been disproportionate for MoneyBoat to have asked for them when it carried out its affordability assessment for both loans.

Given the evidence provided, I think it was reasonable for MoneyBoat to have relied on the information Mr B gave about his income and expenditure to show he had sufficient disposable income as well as the credit check results to show he could afford the repayments he was committed to making. And there wasn't anything to suggest that the loans would be unsustainable for Mr B either.

I'm therefore not upholding Mr B's complaint. I appreciate this will come as a disappointment for him and based on the information provided, an outstanding balance likely remains due and I would remind MoneyBoat of its obligation to treat Mr B fairly and with forbearance.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 13 October 2023.

Robert Walker
Ombudsman