DRN-4213322

The complaint

Mr L complains Evergreen Finance London Limited trading as MoneyBoat.co.uk ("MoneyBoat") gave him a loan which he couldn't afford to repay.

What happened

Mr L was granted one loan of £500 on 27 February 2023. He was due to make a total of three-monthly repayments – 2 monthly payments of £238.75 followed by a final payment of £238.73. The loan was repaid on 25 April 2023.

MoneyBoat considered Mr L's complaint and concluded it had made a reasonable decision to lend and so it didn't uphold it. 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. She said MoneyBoat carried out proportionate checks and there wasn't anything to suggest the loan would be unsustainable for Mr L.

Mr L didn't agree and asked for his complaint to be referred to an ombudsman. Later he provided copy bank statements, a copy of his credit file and details of his outstanding debt and that he was about to enter a debt management plan.

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 L could afford to pay back the amount 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, as there was only one loan.

MoneyBoat was required to establish whether Mr L could *sustainably* repay the loan – 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 loan 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 L's complaint.

Before the loan was approved, MoneyBoat asked Mr L for details of his income, which he declared as being £2,200 per month. MoneyBoat says the declared income figure was checked through a credit reference agency and it had no concerns about the accuracy of the stated amount.

Mr L also declared monthly outgoings of £750. As part of the application, MoneyBoat used information from its credit searches and / or details from the "*common financial statement*" to see whether it needed to adjust the declared expenditure Mr L had provided. As a result, of this check, Mr L's monthly expenditure was increased by a further £100 and so for the affordability assessment, MoneyBoat used monthly outgoings of £850.

After carrying out these checks, MoneyBoat was satisfied that Mr L had sufficient disposable income to be able to afford the repayments he had to make. And in the circumstances, I think this conclusion was reasonable.

Before the loan was approved MoneyBoat also carried out a credit search and it has provided a copy of the result it received from the credit reference agency. It is worth saying here 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 information it received – if necessary.

Having reviewed the credit check results, there isn't anything that would've indicated that Mr L was having current financial difficulties, for example it knew there were no current insolvency markers, County Court Judgements or debt management plans. And it knew that Mr L hadn't defaulted on any account within the last three years. It also knew that Mr L had only opened one account within the last six months – and so that wasn't an indication that Mr L was reliant on this sort of credit.

MoneyBoat did know that Mr L had two outstanding loans that have been marked as "*Bank Finance*" and these two loans were costing Mr L £864 per month. On top of this Mr L had three credit cards with outstanding balances.

So MoneyBoat ought to have known that the amount Mr L declared for his credit commitments as part of the application (£225) wasn't high enough to cover the loans and credit cards that MoneyBoat was told about. But even if I substitute a more reasonable figure from what I can see in the credit report, with the rest of Mr L's declared outgoings he still had just enough disposable income to afford the repayments.

Mr L says that there was an impending debt management plan, but there wasn't any indication of this happening at the time the loan was advanced. So, I can't have expected MoneyBoat to have known this based on the information it received from Mr L and the results of its checks.

I can also see that one of the loan accounts was showing that Mr L hadn't always made his contractual payments. He had made the payment, as contracted for in January 2023, but had paid slightly reduced amounts in the couple of months before. I have thought carefully about this as this would indicate that perhaps Mr L was starting to show signs of financial difficulties.

But, given that all other accounts had been repaid and were up to date, Mr L had returned to normal contractual repayments for that loan and the checks MoneyBoat carried were proportionate and showed even with the larger credit commitments that the loan was affordable. So, I do think it was just about reasonable for MoneyBoat to have advanced this loan.

Overall, this was a first loan and there was also nothing in the information that I've seen that ought to have prompted MoneyBoat to do further checks – such as verifying the information Mr L had provided. So, it would've been disproportionate for MoneyBoat to have viewed Mr L's bank statements.

Given the evidence provided, I think it was reasonable and proportionate for MoneyBoat to have relied on the information from Mr L as well as the results of its checks in deciding to lend to Mr L. 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 22 December 2023.

Robert Walker
Ombudsman