

The complaint

Ms C complains Evergreen Finance London Limited trading as MoneyBoat.co.uk ("MoneyBoat") provided her with loans without carrying out proportionate checks.

What happened

Ms C was granted four loans and I've outlined her borrowing history in the table below.

loan number	loan amount	agreement date	repayment date	number of monthly instalments	highest repayment per loan
1	£700.00	02/08/2018	29/08/2018	6	£195.50
2	£800.00	31/12/2018	15/07/2019	6	£225.20
3	£550.00	22/08/2019	13/12/2019	4	£208.13
4	£600.00	30/01/2020	15/07/2020	4	£215.49

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 Ms C could afford them. However, as a gesture of goodwill, MoneyBoat said it would refund the interest applied to loan 4 which came to £261.95. Unhappy with this response and offer, Ms C referred her complaint to the Financial Ombudsman.

Later MoneyBoat told the Financial Ombudsman the offer it made in the complaint response letter was no longer available.

The complaint was considered by an adjudicator, who partly upheld it. She didn't think MoneyBoat had done anything wrong when loans 1 – 3 were granted. But she did uphold loan 4. The adjudicator explained given the loan history further checks ought to have been carried out. Had MoneyBoat carried out the further checks it would've likely discovered Ms C didn't have sufficient disposable income to afford her repayments, once her other commitments were taken into account. The complaint was partly upheld.

MoneyBoat didn't fully agree with the outcome it said the number of loans and the pattern of lending was considered and there wasn't rapid uptake in borrowing as there are gaps between some of the loans. The final loan also not Ms C's largest capital amount. It also said, *"Its (sic) also reasonable to say that the loan was taken over a shorter period than earlier ones as customer had no issues with the payments being higher than they would have been if taken over six months"*

As no agreement could be reached the case was passed 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 Ms 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 Ms 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 Ms C. These factors include:

- Ms 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);
- Ms 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);
- Ms 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 Ms C. The adjudicator didn't consider this applied in Ms C's complaint and I agree, given the loan terms and loan values.

MoneyBoat was required to establish whether Ms 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 Ms C was able to repay her loans sustainably. But it doesn't automatically follow that this is the case.

I've considered all the arguments, evidence and information provided in this context, and thought about what this means for Ms C's complaint.

Ms C appears to have accepted the adjudicator's findings that she made, which included not upholding loans 1 – 3 and MoneyBoat has only queried the outcome reached for loan 4. In my view, loans 1 – 3 are no longer in dispute so I won't be making a finding about them. Instead, this decision will focus on whether MoneyBoat did all it ought to have done before it approved loan 4.

Loan 4

Before the loan was approved, MoneyBoat asked Ms C for details of her income, which she declared as being £2,500 per month. MoneyBoat says the income figure was verified through a third-party report.

Ms C also declared monthly outgoings of £950. As part of the application, MoneyBoat used information from its credit search and from the "*Common Finance Statement*", which could be used to adjust the declared expenditure Ms C provided. As a result, of this check, Ms C's monthly expenditure wasn't increased any further.

Just from the income and expenditure checks, MoneyBoat would've been confident that Ms C would've likely been able to afford his loan.

Before the loan was approved MoneyBoat also carried out a credit search and it has provided 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.

The credit check results showed that Ms C had debts of nearly £11,000 excluding her mortgage spread across twelve accounts. She had opened eight new accounts within the preceding six months and her "*Balance to limit ratio*" was recorded as 101% - indicating that overall Ms C was slightly over her credit limit on one or more accounts. But there were zero accounts showing as having been defaulted or entering delinquency within the previous 3 years.

MoneyBoat was given details of her active accounts and it knew of one payday loan and a number of longer-term loans called "*Finance House*". The total repayments just to Ms C's loans came to £829 per month.

On top of this MoneyBoat also knew that Ms C had a mortgage, a mail order account and two credit cards – one of which she was £34 over her credit limit. Although, at the time, there wasn't any other adverse payment information being recorded about the credit card account.

So, in addition to the loan history, MoneyBoat ought to have realised the amount Ms C declared her credit commitments of £100 was clearly not correct and there were signs that perhaps, given she was over her credit limits that she was starting to struggle with managing her existing credit commitments. This only adds to what I've seen about the loan history to make me think further checks ought to have been carried out.

So, I do think further checks ought to have been carried out before loan 4 was granted. This was now the fourth time Ms C had taken a loan (and was her third instalment loan within a year) and while it wasn't the largest capital loan the fact that the payment was due over four months meant that overall, Ms C's monthly commitment remained broadly similar to her other loans.

I accept what MoneyBoat has said about the rapid uptake of lending, indeed, there is a 'gap' of around six weeks since the last loan had been repaid, but in saying that Ms C was once again returning for a loan with a similar monthly commitment and as I've said above, there were some indications from the credit report that perhaps Ms C was starting to have repayment problems.

So, I do think, like the adjudicator that MoneyBoat ought to have done further, more in-depth checks before it approved loan 4. These further checks could've been done a number of ways, it could've asked for evidence of Ms C's income, verification of her outgoings such as through asking to see copies of any bills or MoneyBoat could've requested copy bank statements.

Ms C has provided copy bank statements from the time when loan 4 was advanced and so I think it's entirely reasonable to consider these statements in order to see what MoneyBoat may have discovered had it made better checks.

Had MoneyBoat made better checks then it would've discovered what the adjudicator explained in her view. That the loan wasn't affordable for her. I say this because, Ms C had at least four outstanding payday loans at the time, costing just over £1,200 each month. The number of outstanding payday loans and the value of those payments is enough, in my view to solely uphold the complaint because it showed that Ms C was having problems managing

her money to the extent that she needed to continue to borrow from other lenders, so the loan wasn't likely to be sustainable for her.

I can also see the living costs that the adjudicator explained in her assessment, including mortgage, utilities, council tax, food and a number of different insurances. And so, adding up the costs that I can see Ms C had, I also think the loan wasn't affordable as well.

It therefore follows that I am upholding Ms C's complaint about loan 4 because further checks would've shown she couldn't afford the repayments and I've outline below what MoneyBoat needs to do in order to put things right for her.

Putting things right

In deciding what redress MoneyBoat should fairly pay in this case I've thought about what might have happened had it not lent loan 4 to Ms C, as I'm satisfied it ought to have. Clearly there are a great many possible, and all hypothetical, answers to that question.

For example, having been declined this lending Ms C may have simply left matters there, not attempting to obtain the funds from elsewhere – particularly as a relationship existed between them and this particular lender which they may not have had with others. If this wasn't a viable option, they may have looked to borrow the funds from a friend or relative – assuming that was even possible.

Or, they may have decided to approach a third-party lender with the same application, or indeed a different application (i.e. for more or less borrowing). But even if they had done that, the information that would have been available to such a lender and how they would (or ought to have) treated an application which may or may not have been the same is impossible to now accurately reconstruct. From what I've seen in this case, I certainly don't think I can fairly conclude there was a real and substantial chance that a new lender would have been able to lend to Ms C in a compliant way at this time.

Having thought about all of these possibilities, I'm not persuaded it would be fair or reasonable to conclude that Ms C would more likely than not have taken up any one of these options. So, it wouldn't be fair to now reduce MoneyBoat's liability in this case for what I'm satisfied it has done wrong and should put right.

So, I am satisfied that MoneyBoat shouldn't have granted loan 4.

- A. MoneyBoat should add together the total of the repayments made by Ms C towards interest, fees and charges on these loans, including payments made to a third party where applicable, but not including anything that has already refunded.
- B. MoneyBoat should calculate 8% simple interest* on the individual payments made by Ms C which were considered as part of "A", calculated from the date Ms C originally made the payments, to the date the complaint is settled.
- C. MoneyBoat should pay Ms C the total of "A" plus "B".
- D. MoneyBoat should remove any adverse information recorded on Ms C's credit file in relation to loan 4.

*HM Revenue & Customs requires MoneyBoat to deduct tax from this interest. MoneyBoat should give Ms C a certificate showing how much tax has been deducted, if she asks for one.

My final decision

For the reasons I've outlined above, I am partly upholding Ms C's complaint.

Evergreen Finance London Limited trading as MoneyBoat.co.uk should put things right for Ms C as directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms C to accept or reject my decision before 30 November 2023.

Robert Walker
Ombudsman