

The complaint

Mr H says Evergreen Finance London Limited, trading as Moneyboat.co.uk ('Moneyboat'), irresponsibly provided him with two unaffordable loans.

What happened

This complaint is about two fixed sum loan agreement loans that Moneyboat provided to Mr H, in October 2022 and January 2023. The first loan was repayable by way of three monthly instalments of £285.51 and the second loan by way of six monthly instalments of £218.19.

Our adjudicator upheld Mr H's complaint and thought he shouldn't have been provided with either of the loans.

As Moneyboat didn't agree, the complaint has been passed to me.

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 short-term lending - including all the key relevant rules, guidance and good industry practice - on our website.

Moneyboat needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means it should have carried out proportionate checks to make sure Mr H could repay the loans in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and the consumer's income and expenditure. With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate.

But certain factors might point to the fact that Moneyboat should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These factors include:

- the *lower* a customer's 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 *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the *greater* the number and frequency of loans, and the longer the period of time during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly

demonstrates that the lending was unsustainable.

I've carefully considered all of the arguments, evidence and information provided. Having looked at the overall pattern of Moneyboat's lending history with Mr H, I think that Moneyboat should reasonably have seen that Mr H was unlikely to have been able to make his payments in a sustainable manner when it provided these loans.

I say this because the information Moneyboat itself obtained showed that Mr H already had a substantial level of outstanding debt at the time of taking out both loans, including his mortgage. Broadly speaking he was having to find around £350 each month for his mortgage – although by January 2023 he was making reduced payment of around £250 - plus a further £900 to repay his existing credit commitments. His existing available credit on his credit cards had been substantially used – and in some cases exceeded. So I agree with our adjudicator that for each loan there was a strong suggestion that Mr H was already struggling with his finances at the point of both loans.

I can see that Moneyboat carried out detailed checks and, given the size of each loan, I can appreciate why it might consider them to be proportionate. But I think the evidence that suggesting that Mr H's financial position was poor and very likely deteriorating ought to have prompted it to carry out further investigations in order to make a fair lending decision for each loan. So I've thought about the evidence and information that better enquiries would likely have shown.

I think it would have been proportionate for Moneyboat to have verified Mr H's financial circumstances, such as by requesting copies of his bank statements. I've reviewed copies of these covering the six month period leading up to each lending decision.

The statements are consistent in showing that Mr H was funding a high level of credit in line with the credit reports I've seen. He was also having to find money for living costs, including utilities, food and travel. This was in addition to his mortgage costs where Mr H was already experiencing difficulty meeting his monthly repayments. Given that at the time of the first loan Mr H had outgoings were around £2,300 against a monthly income of around £2,100, before allowing for the £284 monthly loan cost, he would not have had enough funds to cover it all. And for the second loan the situation would be much the same with Mr H having an income of around £2,250, expenditure of around £2,400 plus then having to find £218 to pay the loan, again leaving him with negative disposable income. I consider that all of this amply demonstrates that Mr H was not in a position to sustainably afford each of these two loans.

It follows that Mr H has been required to pay interest and charges for each of these loans where in my view the evidence and information I've seen clearly suggests Moneyboat shouldn't have provided them to him. So I think it follows that Mr H has lost out and Moneyboat should put things right.

Putting things right – what Moneyboat needs to do

- refund all interest and charges Mr H paid on both loans;
- pay interest of 8% simple a year on any refunded interest and charges from the date they were paid to the date of settlement†;
- The payments that Mr H made, whether to Moneyboat directly or any third-party debt purchaser, should then be deducted from the new starting balance for each loan. If after all adjustments have been made an outstanding balance remains, Moneyboat can

deduct this from what it now needs to pay Mr H as long as it owns any debt. If it doesn't own any debt at the time of settlement it isn't entitled to make any deduction;

- All reference to these loans should be removed from Mr H's credit file.

† HM Revenue & Customs requires Moneyboat to take off tax from this interest. Moneyboat must give Mr H a certificate showing how much tax it's taken off if he asks for one.

My final decision

For the reasons given above, I'm upholding Mr H's complaint for both these loans. Evergreen Finance London Limited should pay Mr H compensation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 28 September 2023.

Michael Goldberg

Ombudsman