DRN-4234532

## The complaint

Mr M complains that Evergreen Finance London Limited trading as MoneyBoat.co.uk irresponsibly lent to him.

## What happened

Mr M complains that MoneyBoat irresponsibly lent two loans to him. He says at the time of the loans he was indebted and MoneyBoat should have carried out better checks. He says had it done so, it would have seen he couldn't afford further borrowing.

MoneyBoat lent Mr M two loans, the first loan was lent on 16 January 2023 for £400 over a six-month term, the monthly repayment was £110.12. Mr M repaid the first loan on 25 January 2023. MoneyBoat lent Mr M a second loan on 10 March 2023 for £250, the loan was due to be repaid in two monthly instalments of £150.68. Mr M repaid the second loan on 29 March 2023.

When Mr M complained to MoneyBoat, it didn't uphold any part of his complaint and so he referred it to the Financial Ombudsman Service where it was looked at by one of our adjudicators.

Our adjudicator didn't think MoneyBoat was wrong to lend any of the loans and didn't recommend that Mr M's complaint be upheld. Mr M disagreed saying MoneyBoat's checks didn't go far enough and had it requested bank statements and payslips, it would have seen he couldn't afford the loan. Mr M also says he borrowed to repay the loans.

## 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 of the 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 that it should have carried out reasonable and proportionate checks to make sure Mr M could repay the loans on time, without suffering financial detriment, while meeting other reasonable commitments and without having to borrow to meet the repayments. 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 consumer'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 think that it is important for me to start by saying that MoneyBoat was required to establish whether Mr M could sustainably repay his loans – not just whether the loan payments were affordable on a strict pounds and pence calculation.

As stated above, it won't be unexpected in the early stages of the lending relationship that less thorough checks would be reasonable and proportionate. I've considered MoneyBoat's checks and any factors that may have prompted MoneyBoat to go further with its checks.

Before lending either loan, MoneyBoat has provided evidence to show it asked Mr M about his monthly income and living costs including credit commitments. Mr M declared an income for £3,800 for loan 1 and £4,000 for loan 2. Mr M declared £1,200 for his monthly living costs and credit commitments for loan 1 and for loan 2 he declared £1,925.

MoneyBoat searched Mr M's credit file before lending both loans and from what I can see, Mr M didn't have any defaulted or delinquent accounts. There was also no County Court Judgements (CCJs) recorded against him at the time of either loan.

Mr M had some active credit accounts but the repayments on all his accounts were up to date and so there was nothing to suggest he wasn't managing his credit commitments. MoneyBoat says it reacted to the information it found on Mr M's credit file by increasing the amount of his monthly credit commitments. Based on MoneyBoat's checks and adjustments, Mr M was left with left with disposable income of around £2,483 for loan 1 and £1,480 for loan 2. This suggested to MoneyBoat that he had sufficient disposable income to afford the loan repayments over their term.

Given the loan amounts and the stage of the lending relationships, I don't think it was unreasonable for MoneyBoat to have relied on the information Mr M provided - asking about his monthly income and expenditure was reasonable in the circumstances. It also wasn't unreasonable for MoneyBoat to rely on the information Mr M provided.

I can see from the results of the credit search that Mr M's credit commitments were higher than what MoneyBoat estimated. Looking at the information on Mr M's credit file and what he declared his monthly expenditure for loan 1 was around £2,450 and around £2,770 for loan 2. Given his declared income, even with the higher expenditure Mr M was left with sufficient disposable income to afford the loan repayments.

Mr M has said MoneyBoat should have carried further checks by looking at his payslips and bank statements. There is no requirement for MoneyBoat to request payslips and bank statements. The rules required it to carry out reasonable and proportionate checks but didn't prescribe what those checks would be.

The overall circumstances of the lending here don't persuade me to conclude that MoneyBoat should have requested bank statements and payslips before lending to Mr M, I think it's checks in the circumstances went far enough and those checks showed Mr M could afford the loans without suffering financial detriment.

Mr M has said he had to borrow to repay the loans. This isn't something that was apparent to MoneyBoat through its reasonable checks at the time and there was nothing suggesting Mr M was likely to have to borrow to repay either loan.

Overall, I think MoneyBoat did enough before lending and based on those checks, Mr M could afford to repay both loans so I don't think MoneyBoat lent when it shouldn't have.

**My final decision**

For the reasons given above, I do not uphold Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 8 January 2024.

Oyetola Oduola
**Ombudsman**