

The complaint

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

What happened

Mrs 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	£200.00	13/05/2022	08/06/2022	3	£90.44
2	£200.00	16/06/2022	24/08/2022	3	£88.51
3	£250.00	29/08/2022	27/12/2022	4	£99.93
4	£300.00	28/12/2022	outstanding	6	£94.03

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 Mrs C could afford them. Unhappy with this response, Mrs C referred her complaint to the Financial Ombudsman.

The complaint was considered by an adjudicator, and in her latest assessment she partly upheld it. She didn't think MoneyBoat had done anything wrong when loans 1 – 3 were granted. However, she did uphold the complaint about loan 4 because she said MoneyBoat ought to have carried out further checks before it was granted. Had MoneyBoat carried out further checks it would've likely discovered Mrs C was spending a significant amount of money each month on betting transactions.

MoneyBoat didn't fully agree with the outcome about loan 4 because it said there was no reason to have carried out further checks, there were no defaulted or delinquent accounts and the credit report showed an improvement in Mrs C's financial position compared to previous loans.

The adjudicator went back to MoneyBoat to explain why its comments hadn't changed her mind and 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 Mrs 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 Mrs 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 Mrs C. These factors include:

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

MoneyBoat was required to establish whether Mrs 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 Mrs 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 Mrs C's complaint.

Mrs C appears to have accepted the adjudicator's findings, which included not upholding loans 1 - 3 and MoneyBoat has only commented about 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 focuses on whether MoneyBoat did all it should've done before loan 4 was granted.

Loan 4

Before the loan was approved, MoneyBoat asked Mrs C for details of her income, which she declared as being £1,500 per month. MoneyBoat says the income figure was checked through a third-party report.

Mrs C also declared monthly outgoings of £660. As part of the application, MoneyBoat used information from its credit search (which I'll come onto discuss below) and from the "*Common Finance Statement*" to adjust the declared expenditure Mrs C had provided. As a result, of this check, Mrs C's monthly expenditure was increased by a further £190. Just from the income and expenditure checks, MoneyBoat would've been confident that Mrs 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 results showed that there were zero defaults on Mrs C's credit file within the last three years. MoneyBoat also knew of 14 active accounts and that Mrs C had opened 9 new accounts within the preceding six months.

The active accounts Mrs C had included a mail order account, six credit cards, a current account two telecommunication accounts and two unsecured loans all were up to date, within their credit limits and did not show any signs that Mrs C was struggling to repay them.

However, there is some concerning information in as far as between June and December 2022 Mrs C had repaid and closed 14 unsecured / advance against income loans (including the previously granted MoneyBoat loans). The sheer number of these settled in a short space of time – more than two per month on average and which were most likely either payday and / or instalment loans 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 Mrs C had taken a loan, it was also her largest capital loan to be repaid over the longest term. She had also shown a continued need to borrow from MoneyBoat because the gap between when she repaid a loan and returned for another had reduced each time, and she had only repaid loan three the day before this loan was granted.

So, I do think, like the adjudicator that MoneyBoat ought to have done further, more in-depth checks before it approved loan four. These further checks could've been done a number of ways, it could've asked for evidence of Mrs C's income, it could've asked to see copy bills or copy bank statements.

Mrs C has provided copy bank statements from the time when loan four 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 better checks been made, MoneyBoat would've likely discovered that Mrs C was spending significant sums on betting websites each month, in November 2022 she spent around £1,300 on such transactions and of course on top of this she had her regular living costs which I can see in her statements.

During December 2022 – and only for the period I have statements to – up to 8 December 2022 Mrs C spent over £700 on such transactions. So clearly, had better checks been made MoneyBoat would've concluded Mrs C couldn't afford this loan.

It therefore follows that I am upholding Mrs C's complaint about loan four because further checks would've shown that Mrs C couldn't afford the repayments.

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 four to Mrs 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 Mrs 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 Mrs 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 Mrs 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 four.

If MoneyBoat has sold the outstanding debt it should buy it back if MoneyBoat are able to do so and then take the following steps. If MoneyBoat can't buy the debt back then MoneyBoat should liaise with the new debt owner to achieve the results outlined below.

- A. MoneyBoat should remove all interest, fees and charges from the balance of loan 4, and treat any repayments made by Mrs C as though they had been repayments of the principal. If this results in Mrs C having made overpayments then MoneyBoat should refund these overpayments with 8% simple interest* calculated on the overpayments, from the date the overpayments would have arisen, to the date the complaint is settled.
- B. If there is still an outstanding balance then MoneyBoat should try to agree an affordable repayment plan with Mrs C and I would remind MoneyBoat of its obligation to treat Mrs C fairly and with forbearance. MoneyBoat shouldn't pursue outstanding balances made up of principal MoneyBoat have already written-off.
- C. MoneyBoat should remove any adverse information recorded on Mrs C's credit file in relation to loan 4.

*HM Revenue & Customs requires MoneyBoat to deduct tax from this interest. MoneyBoat should give Mrs 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 Mrs C's complaint.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 29 November 2023.

Robert Walker
Ombudsman