DRN-4242378

The complaint

Mr D complains Evergreen Finance London Limited trading as MoneyBoat.co.uk ("MoneyBoat") failed to conduct proportionate affordability checks prior to lending to him.

What happened

A summary of Mr D's borrowing can be found below.

loan number	loan amount	agreement date	repayment date	number of monthly instalments	highest repayment per loan
1	£500.00	03/10/2021	15/03/2022	6	£138.84
2	£200.00	30/03/2022	13/05/2022	2	£120.68
3	£500.00	25/05/2022	15/09/2022	4	£187.20
4	£500.00	16/09/2022	18/09/2022	3	£239.95
5	£500.00	03/10/2022	15/12/2022	3	£216.08

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 Mr D could afford them.

However, as a gesture of goodwill it agreed to refund the interest Mr D had paid towards loans 4 and 5. Unhappy with this response, Mr D referred his complaint to the Financial Ombudsman.

The complaint was considered by an investigator, who partly upheld it. She didn't think MoneyBoat had done anything wrong when loans 1 - 3 were granted. However, the investigator thought further checks ought to have been conducted before loans 4 and 5 were granted. Had MoneyBoat carried out those further checks, it would've likely seen that Mr D was already paying 5 other payday lenders at the same time. So, the payments to these loans weren't sustainable.

MoneyBoat agreed with the investigator's recommendation.

Mr D didn't fully agree with the outcome the adjudicator reached. In addition to loans 4 and 5 he also felt loan 3 should be upheld due to the "…*quick turn around (sic) of loans I was taking out*". Mr D asked for the complaint to be reconsidered about loan 3.

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 Mr D could afford to pay back the amounts 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 D'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 D. These factors include:

- Mr D 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 D 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 D 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 D. But I don't consider this applies to Mr D's complaint.

MoneyBoat was required to establish whether Mr D could *sustainably* repay the loans – 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 D was able to repay his 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 Mr D's complaint.

Loans 1 and 2

Mr D appears to have accepted the investigator's findings, which included not upholding these loans and MoneyBoat also doesn't appear to have disagreed that it wasn't wrong to have approved these loans either.

In my view these loans are no longer in dispute, so I won't be making a finding about them, but I have kept these loans in mind when thinking about the rest of Mr D' borrowing history.

Loan 3

This is the loan, that Mr D wanted reviewing following the investigator's assessment. The crux of the issue here is that Mr D is essentially says that him taking out loans in quick succession ought to have been of concern.

This was only the third loan, and so only the second opportunity to show how quickly Mr D may return for further borrowing. This loan was taken 10 days after Mr D had repaid loan 2, but loan 2 was for a smaller amount than loan 1. So, when he returned for loan 3, Mr D was in effect borrowing what he had taken when he initially approached MoneyBoat for funds.

I have thought carefully about whether a second occasion of quickly taking a loan ought to have been of a concern, but I don't think it would've raised any flags with MoneyBoat, especially as I've said, loan 2 was for a smaller amount. In my view, no clear pattern had been established yet. I don't think the pattern of borrowing at this point would've automatically led MoneyBoat to have declined the loan and / or have prompted it to carry out further checks.

But what I have done, is review the information MoneyBoat took from Mr D at the time to see whether there was anything else that ought to have led to further checks or to it declining the loan.

Before the loan was approved, MoneyBoat asked Mr D for details of his income, which he declared as being £2,202 per month– which was broadly in line with what he had declared for his previous loans. MoneyBoat says the income figures was checked through a third-party report.

Mr D also declared monthly outgoings of £1,232 and so just from the income and expenditure checks, MoneyBoat would've been confident that Mr D 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 a credit search, there isn't a regulatory requirement to do one, let alone one to a specific standard.

The credit check results were in my mind were not concerning and so wouldn't have led MoneyBoat to have prompted it to carry out further affordability checks. It knew that in total Mr D had 8 active accounts of which 2 had been opened in the last six months. The number of newly opened accounts is on its own not enough to suggest that Mr D had financial difficulties or had a reliance on this sort of credit.

Finally, MoneyBoat knew there wasn't any sign of insolvency, or any defaults or delinquent accounts recorded in the credit search results. Therefore, there wasn't anything to suggest that Mr D was having financial difficulties or that this loan would be unsustainable for him.

Overall, given this was only the third loan Mr D had taken as well as MoneyBoat carrying out what I consider to be proportionate checks which showed it that Mr D would likely be able to afford his repayments, I therefore think that it was appropriate for MoneyBoat to have agreed to this loan. I am therefore not upholding Mr D's complaint about loan 3.

Loans 4 and 5

MoneyBoat, has accepted, following the investigators assessment that these loans ought to not have been granted. It therefore accepts that something went wrong here.

So, I don't think I need to make a finding about these loans, for the reasons given above. But for completeness, I've outlined below what MoneyBoat should do (and what it has agreed to do) in order to put things right for Mr D.

Putting things right

MoneyBoat shouldn't have given Mr D loans 4 and 5.

A. MoneyBoat should add together the total of the repayments made by Mr D towards interest, fees and charges on these loans, including payments made to a third party where applicable, but not including anything you have already refunded.
B. It should calculate 8% simple interest* on the individual payments made by Mr D which were considered as part of “A”, calculated from the date Mr D originally made the payments, to the date the complaint is settled.
C. MoneyBoat should pay Mr D the total of “A” plus “B”.
D. MoneyBoat should remove any adverse information recorded on Mr D’s credit file in relation to loans 4 and 5.

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

My final decision

For the reasons I’ve outlined above, I am partly upholding Mr D’s complaint.

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

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr D to accept or reject my decision before 5 January 2024.

Robert Walker
Ombudsman