DRN-4253480

The complaint

Mr P complains Evergreen Finance London Limited trading as MoneyBoat.co.uk (MoneyBoat) provided him with loans without carrying out the proper checks.

Mr P is also unhappy that between 2020 and 2023 MoneyBoat updated its website to reflect that taking out these sorts of loans may not improve a consumer's credit score.

What happened

Mr P was advanced three loans, a summary of his borrowing can be found below.

loan number	loan amount	agreement date	repayment date	number of instalments	largest instalment amount
1	£400.00	15/09/2020	29/09/2020	4	£138.97
2	£1,000.00	30/11/2020	07/02/2021	6	£299.69
3	£700.00	06/05/2021	16/06/2021	6	£202.99

Following Mr P's complaint, MoneyBoat wrote and explained why it wasn't going to uphold it. Unhappy, with this outcome, Mr P referred the complaint to the Financial Ombudsman.

An adjudicator reviewed the complaint, and he didn't uphold it because in his view MoneyBoat carried out proportionate checks which showed each loan to be affordable. And the lending relationship didn't reach the point where either MoneyBoat needed to review his bank statements or a stage where the loans become unsustainable for Mr P.

Mr P didn't agree and he sent several emails with further points and documentation – all of which I have read, and I've summarised his responses below:

- Mr P's bank statements show the loans weren't affordable for him.
- Further checks ought to have been carried out especially for the second loan.
- Mr P provided screen shots of MoneyBoat's website in 2020 and 2023 which shows the change in wording that it used to describe the impact the loans may have on a credit score.
- Mr P says the statement on the website in 2020 is mis-leading and now the negative impact of the loans (despite being paid on time) on Mr P's credit file is affecting his ability to obtain a mortgage. Mr P has therefore asked for the loans to be removed.

The adjudicator wrote to Mr P to explain why his comments hadn't changed his mind about the outcome that he had reached. Mr P didn't agree, and instead asked for a final decision.

I then issued a provisional decision explaining the reasons why I was intending to uphold Mr P's complaint in part. And both parties were asked for any further submissions to be received by 19 July 2023.

MoneyBoat didn't respond to the provisional decision.

Mr P provided some further comments and I've summarised these below:

- He agrees the loans were unaffordable.
- Mr P wasn't aware taking out the loans could damage his credit score and his ability to obtain a mortgage.
- The website says "*you could see some improvement in your credit score*" and Mr P now knows this isn't the case.
- It is unfair that MoneyBoat has recorded these loans on Mr P's credit file as payday loans.
- MoneyBoat published misleading information on its website.
- These loans should either be removed or amended to show that they were 'normal' instalment loans.

A copy of the provisional findings follows this in a smaller font and forms part of this final decision.

What I said in my provisional decision:

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 P 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've taken into account a number of different things, such as how much was being lent, the size of the repayments, and Mr P'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 P. These factors include:

- *Mr P 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 P 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 P 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 P. The adjudicator didn't think this applied to Mr P's complaint.

MoneyBoat was required to establish whether Mr P 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 P was able to repay his loans sustainably. But it doesn't automatically follow that this is the case.

Industry regulations say that payments are sustainable if they are made without undue difficulties and in particular, made on time, while meeting other reasonable commitments and without having to borrow to make them. If a lender realises, or ought reasonably to have *realised, that a borrower won't be able to make their repayments without borrowing further, then it follows that it should conclude those repayments are unsustainable.*

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

Loan 1

MoneyBoat has shown that as part of the affordability assessment it asked Mr P for details of his income and expenditure. Mr P's income has been recorded as being £1,853 per month.

Mr P also declared his monthly outgoings were £700 – which covered costs such as rent, food, transport, credit commitments, and other. However, following further checks including bringing Mr P in line with the "Common Financial Statement" and a credit search which I comment on below - MoneyBoat increased Mr P's monthly expenditure by a further £150.

After this adjustment it left Mr P with disposable monthly income of £1,003. This was more than sufficient for MoneyBoat to believe Mr P could afford the largest monthly repayment of around £139. The loan looked affordable.

Before this loan was approved MoneyBoat also carried out a credit search and it has provided the Financial Ombudsman Service with a copy of the results it received from the credit reference agency. I want to add that although MoneyBoat carried out a credit search there isn't a regulatory requirement to do one, let alone one to a specific standard. But what MoneyBoat couldn't do, is carry out a credit search and then not react to the to the information it received – if necessary.

MoneyBoat was also entitled to rely on the information it was given. So, I've taken a look at the results to see whether there was anything contained within it that would've either prompted MoneyBoat to have carried out further checks or possibly have declined Mr P's application.

I can see that at the time this loan was advanced, there was one home credit loan outstanding and five loans that have been recorded as "Finance House". Given the terms and or amounts borrowed for these "Finance House" loans, it is likely some or all were payday and or instalment loans. The monthly repayments towards these six accounts was going to cost Mr P around £716 each month. This is significantly more than the £370 Mr P declared to MoneyBoat as part of his application for his credit commitments.

On top of this, Mr P also had six active credit cards owing £3,877 compared to total available credit limits of £4,030. And of course, Mr P's credit commitments would be greater because he would need to pay and service these cards as well. And it would seem that repayments to his credit commitments were around 50% of his declared income. Which in some cases, is sufficient to say that the loan ought to not have been approved.

Finally, Mr P owed £2,649 on three current account overdrafts. Although I accept Mr P's banks weren't expecting the whole balance to be repaid in one go – the fact that his total balance was significantly more than his declared monthly salary is further reinforcement that perhaps Mr P was having difficulties managing his money.

Although the accounts listed above, appeared to have been serviced in line with the agreements because no late adverse payment markers have been reported, the fact that Mr P had six loans outstanding as well as credit cards and overdraft debt. Coupled with the fact that the credit results showed that Mr P had a history of taking out and settling loans, ought to have led MoneyBoat to conclude that perhaps, Mr P was overindebted or in some difficulties.

The credit check results also show Mr P had a history of taking out and repaying loans and *due to the number of outstanding loans, even at this early stage of the lending relationship MoneyBoat ought to have taken further steps to verify the information Mr P had provided.*

MoneyBoat could've gone about doing that several ways, it could've asked to see evidence of his income, his outgoings, copy bank statements or any other documentation that MoneyBoat felt it reasonably needed to obtain in order to satisfied itself that the loans were both affordable and sustainable.

However, that isn't the end of the matter, for me to be able to uphold the complaint about the loan, I have to be satisfied that had further checks been carried out MoneyBoat would've likely discovered the lending was unaffordable for Mr P. Mr P has provided copies of his bank statements, and so I think it's entirely reasonable to have considered those to see what MoneyBoat may have discovered – had it made better checks.

Had further checks been carried out, MoneyBoat would've seen he was also spending significant amounts of money on betting transactions through a third-party payment provider. Indeed, in the first two weeks of September 2020 Mr P had spent at least £1,350 on such sites – which is almost of all his declared income. So, I do think further checks ought to have alerted MoneyBoat that Mr P couldn't afford to repay this loan in a sustainable manner.

I am intending to uphold Mr P's complaint about this loan.

Loan 2

The same sort of checks was carried out for this loan as they were for loan 1. Mr P was asked about his income – which had dropped to £1,668 and after taking account of what Mr P declared to it about his expenditure – and after bench marking these figures. MoneyBoat concluded he had around £818 of disposable income each month each month to afford the repayment of around £300. Again, the loan looked affordable.

As before a credit search was conducted, and the results were much the same as those MoneyBoat provided for loan 1 was advanced. Mr P still had a number of credit card accounts that were outstanding and still owed over £3,000 on his overdraft. So, there is no evidence that Mr P was reducing his reliance on the credit facilities. And Mr P still had three Finance House loans outstanding at the time. I accept this is a reduction on loan 1 but given everything else further checks were, I feel warranted.

As before, I still think, given everything that MoneyBoat knew that further checks ought to have been carried out. Had it done so, Mr P's bank statements show that he was continuing to spend more than the value of his income each month on gambling transactions and so this loan was also unaffordable.

Loan 3

I accept there is a small break in lending between Mr P repaying loan 2 and taking loan 3. But in my view, this isn't enough to reset the lending chain. However, loan 3 was for a lower loan amount so I do think it was reasonable for MoneyBoat to perhaps conclude the loan wasn't inherently harmful or unsustainable for Mr P.

But in saying that, following the checks MoneyBoat conducted, it believed Mr P had monthly disposable income of £887.

The credit checks results are very similar to previous loans, there is still a significant amount of overdraft debt as well as debt towards other credit cards. Mr P also had three active finance house loans.

In addition, between January and May 2021, Mr P had settled (including loan 2) seven payday / high-cost credit loans. So, I still think there is evidence that Mr P was regularly taking out and repaying payday loans and / or high-cost credit loans. That would've still been enough to prompt it to carry out further checks.

And as before, had further checks been carried out perhaps by reviewing Mr P's bank statements, it would've likely discovered that he was still spending a significant amount of money each month on gambling websites. Which made the loan repayments unaffordable and I am therefore also intending to uphold this loan.

MoneyBoat's website

It is worth pointing out here that as I'm intending to uphold Mr P's complaint about the lending then any adverse payment information will need to be removed by MoneyBoat as part of the compensation it will need to pay Mr P.

However, Mr P has said the loans actually need to be removed from the credit file, because of the information MoneyBoat now publishes on its website about the impact on the loans can have on a credit score.

Mr P has provided a screen shot of MoneyBoat's website – taken from an online post in June 2020. Which is only a few months before Mr P took his first loan. The blog post said:

> *"As with any loan, the impact a payday loan has on your credit score is all down to whether you stick to the terms of the loan and make all your repayments on time and in full. If you take out a payday loan and service it correctly - treating it as a one-off fix to a financial emergency, rather than a long-term solution to a more serious money problem - then you could see some improvement in your credit score from taking out a payday loan online."*

However, MoneyBoat isn't saying that a payday loan will improve your credit score. It has to be taken, repaid and even then, it "could see some improvement" in a customer's credit score. This isn't a guarantee that taking out a payday loan will improve a credit score. Indeed later on in the same blog post, MoneyBoat explains that missed payments could impact a credit score.

And Mr P says that by 2023, MoneyBoat's website said;

> *"What are the disadvantages?*
> *…Payday loans don't benefit your credit score*

For me to consider whether the loan would have to be removed, I'd need to consider the reasons why Mr P took these loans and its clear from what Mr P told us was that he wasn't taking these loans to build his credit score. Mr P said;

> *"I obviously didn't take the loans out solely improve my credit score however if I knew that taking them out would have damaged my credit report with regards to mortgage applications and that the loans are recorded differently from other loans then I wouldn't have taken the loans out."*

But Mr P says that had the 2023 wording on the website been apparent in 2020 he wouldn't have taken the loans. But, when Mr P was taking these loans from MoneyBoat he was borrowing from other payday lenders and this is reflected in both Mr P's credit file, his bank statements as well as the credit search results provided by MoneyBoat. Given this, I can't fairly say, that had the 2023 wording been used in 2020 that Mr B would've made a different choice and not have taken the loan. Indeed, the 2020 blog post says:

> *"Applying for loans online is a convenient way to access credit, and there's masses of choice out there. However, this is a resource that must be treated with caution. It's vital to remember that every time you send off an online application for a loan of any size, it will be recorded on your credit report for a considerable amount of time. Make too many of these applications, and lenders will start to look upon you in a less positive light"*

Therefore, while looking back now Mr P feels he may have made a different decision had the 2023 wording being present at the time he borrowed. But given his borrowing history form other lenders I'm satisfied that on balance, even if the 2023 wording would've been there in 2020, I still think, given what I've seen that Mr P would've chosen to proceed with his applications. I am also minded to conclude that the 2020 wording doesn't guarantee it will build a credit score and it does provide caution for multiple applications as well as missed payments.

As such, I am not going to be asking MoneyBoat to remove these loans from his credit file.

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.

I plan not to revisit whether MoneyBoat acted fairly and reasonably when it granted the loans because Mr P agrees with this outcome and MoneyBoat hasn't provided any further comments.

I've also carefully considered what Mr P says about the website. However, in the circumstance of this complaint, I am still not going to ask MoneyBoat to either remove or amended the type of loan that it is recording on Mr P's credit file.

The website in 2020 doesn't say the taking of these loans will improve a credit score, only it could improve it. This was subject to the caveat that any loans must be repaid within the terms of the agreement and the website also explained that too many applications may lead to a situation where "…*lenders will start to look upon you in a less positive light".*

And I've also had to consider that Mr P wasn't taken these loans for credit building purposes, and I'm not persuaded that had the 2023 wording been visible to Mr P in 2020 that he would've made a different decision to apply for the loans.

And I've not seen anything to suggest that the information MoneyBoat is currently reporting about these loans on Mr P's credit file is inaccurate, and therefore I can't ask it to amend the loan type on his credit file.

I do not uphold this element of Mr P's complaint and I accept that Mr P will be disappointed by this outcome.

However, for the same reasons as I outlined in the provisional decision, I still think MoneyBoat ought to not have lent to Mr P and I've outlined below what it needs to do in order to put things right for him.

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 to Mr P, 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 Mr P may have simply left matters there, not attempting to obtain the funds from elsewhere. If this wasn't a viable option, he 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 reconstruct now accurately. 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 Mr P 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 Mr P 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.

MoneyBoat shouldn't have approved any of Mr P's loans.

A. MoneyBoat should add together the total of the repayments made by Mr P towards interest, fees and charges on these loans, including payments made to a third party where applicable, but not including anything MoneyBoat has already refunded.
B. MoneyBoat should calculate 8% simple interest* on the individual payments made by Mr P which were considered as part of "A", calculated from the date Mr P originally made the payments, to the date the complaint is settled.
C. MoneyBoat should pay Mr P the total of "A" plus "B".
D. MoneyBoat should remove any adverse information it has recorded on Mr P's credit file in relation to loans 1, 2 and 3.

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

My final decision

For the reasons I've explained above and in the provisional decision, I'm upholding Mr P's complaint in part.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 18 August 2023.

Robert Walker
Ombudsman