

## **Complaint**

Mr K is unhappy Evergreen Finance Limited (trading as “Moneyboat”.co.uk) provided him with a high-cost short-term credit instalment loan. He says the loan was irresponsibly provided given his high level of existing debt.

## **Background**

Moneyboat provided Mr K with a high-cost short-term credit instalment loan for £500 in January 2023. This loan was to be paid in six monthly instalments of around £162.

One of our investigators looked at Mr K’s complaint and she didn’t think that Moneyboat had done anything wrong or treated him unfairly. So she didn’t recommend the complaint be upheld.

Mr K disagreed and asked for an ombudsman to look at his case.

## **My findings**

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 the key relevant rules, guidance and good industry practice - on our website. I’ve referred to this when considering Mr K’s case.

Having carefully considered everything, I’m not upholding Mr K’s complaint. I’d like to explain the reasons for my decision in a bit more detail.

Moneyboat needed to make sure that it didn’t lend irresponsibly. In practice, what this means is Moneyboat needed to carry out proportionate checks to be able to understand whether Mr K could afford to make the repayments he was committing to before providing this loan.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

Moneyboat provided Mr K with a single loan which was due to be repaid in six monthly instalments. From what I’ve seen, Moneyboat asked Mr K to confirm his monthly income and expenditure. It cross checked Mr K’s declaration of income against information it obtained from credit reference agencies regarding the funds going into Mr K’s account each month. It

also carried out a credit search and says the information gathered suggested the loan repayments were comfortably affordable for Mr K.

Mr K says the information Moneyboat based its decision on didn't accurately reflect his actual financial position. He says he was not working at the time and if Moneyboat had done what it says it did, it would have noticed this and his lack of income. He also says that he was significantly indebted and so he shouldn't have been lent to.

I've considered what the parties have said. It's fair to say that Moneyboat gathered a reasonable amount of information about Mr K and didn't simply rely on what he'd said before providing this loan. Mr K has said that he was unemployed and that if Moneyboat had verified his income like it says it did it would have seen this.

I've thought about what Mr K has said. The first thing to say is that Mr K declared that he received an income at this stage. And while Moneyboat has described what it did to check Mr K's income and employment as verification and it may consider this to be the case, I don't agree what it did is the same as verification. What it actually did was cross check Mr K's declaration of his monthly income against information on the amount of funds going into his bank account each month.

As I've said I wouldn't go as far as saying as this is verification and I think that Moneyboat has used this term loosely, given it says that it obtained its information from a credit reference agency and it simply wouldn't have had Mr K's employment details or known his actual salary. In any event, this cross-checking appears to have suggested that what Mr K declared receiving each month was plausible what was going into his account each month. Given this was the case and Mr K didn't have a previous lending history with Moneyboat, I don't think that it was unreasonable to proceed on the basis of Mr K's declaration.

Furthermore, while I appreciate that the Mr K did have a default on his credit file, it's fair to say that this was historic as the default took place almost three years prior to this application. I accept that this might have led to some lenders declining to lend to Mr K. But Moneyboat chooses to operate in the market where prospective borrowers may have had difficulties repaying credit. That is its choice to make but it still needs to take reasonable steps to find out whether a prospective borrower can afford to make their repayments.

In this case, Moneyboat didn't place as much weight on Mr K's default, given it was historic. I don't consider this to be unreasonable - particularly as Mr K was making reductions to the balance. Irrespective of this and more importantly, I don't consider that this default in itself clearly indicated that Moneybarn's calculation of Mr K's disposable income (and therefore his ability to afford these payments) might have been overoptimistic.

I accept that Mr K says that his actual circumstances are not accurately reflected in the information Moneyboat had. For example, I know that Mr K has a mental health condition and he went on to take further borrowing elsewhere. I'm sorry to hear about what Mr K has said and that he's found it difficult to make his payments. But I also have to consider that Moneyboat didn't know about any of this.

Mr K says that consideration should be given to what Moneyboat would have done if it did know about his mental health condition. I don't think that it would be fair and reasonable for me to expect Moneyboat to have factored in circumstances and information it wasn't aware of. But, in any event, I also think that it would not have been fair and reasonable for Moneyboat to have automatically declined Mr K's application solely on the basis that he had a mental health condition.

Indeed even in circumstances where a lender is aware that a prospective borrower has a mental health condition, it is required to presume that the borrower has the capacity to make a responsible lending decision, unless there are reasons for it to conclude otherwise. So I would have expected Moneyboat to have taken reasonable steps to understand whether Mr K could afford to make his repayments, which it, in any event, did do here.

Therefore, while I'm sorry to hear that Mr K has had difficulty repaying this loan, I think that Moneyboat was reasonably entitled to rely on the information it had been provided with and therefore its decision to lend wasn't unreasonable in this instance.

As this is the case, I don't think that Moneyboat did anything wrong when deciding to lend to Mr K - it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable. And I'm therefore not upholding Mr K's complaint. I appreciate this will be very disappointing for Mr K. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

It's my understanding that an outstanding balance remained on Mr K's loan at the time he complained to Moneyboat. I don't know whether this same, or a reduced, balance remains outstanding at this time.

However, even though I'm not upholding this complaint, I'd like to remind Moneyboat of its obligation to exercise forbearance and due consideration – particularly given what it now knows about Mr K's situation and his ability to make payments - should Mr K have an outstanding balance and it be the case that he is experiencing financial difficulty.

### **My final decision**

For the reasons I've explained, I'm not upholding Mr K's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 19 February 2024.

Jeshen Narayanan  
**Ombudsman**