

The complaint

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

What happened

MoneyBoat lent Mr K six loans between June 2022 and May 2023, the details of the loans are as follows:

Loan number	Start date	Loan amount (£)	Term	Repayment (£)	End date
1	05/06/2022	800	3 months	360.35	22/07/2022
2	25/07/2022	300	3 months	146.84	27/08/2022
3	07/11/2022	400	3 months	179.33	01/12/2022
4	17/12/2022	1,000	6 months	269	24/02/2023
5	03/03/2023	500	3 months	230.91	26/04/2023
6	01/05/2023	1,000	6 months	301.66	05/06/2023

When Mr K complained to MoneyBoat it said it didn't do anything wrong when it lent loans 1 – 5 but offered to refund the interest and charges on loan 6. Mr K didn't accept the offer and referred his complaint to the Financial Ombudsman Service. It was looked at by one of our adjudicators who thought MoneyBoat shouldn't have lent loan 5 as well but didn't think it was wrong to lend loans 1 – 4.

MoneyBoat disagreed, it said it took sufficient steps before lending loans 5 and there was nothing that should have concerned it about Mr K being able to afford the loan. As the complaint hasn't been resolved it has been passed to me an ombudsman for a 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 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 proportionate checks to make sure Mr K could afford to repay the loan in line with relevant regulations.

Before lending any of the loans, MoneyBoat asked Mr K about his income and living costs, it increased his declared expenses for loans 5 and 6. Mr K's income varied from £2,812 to £5,885, after MoneyBoat took into account Mr K's living costs and credit commitments, his disposable income for all the loans varied from £662 to £3,388. MoneyBoat also searched Mr K's credit file before lending any of the loans.

From the information I've seen, I don't think MoneyBoat was wrong to lend loans 1 – 4, I think given the large disposable income Mr K was left with, MoneyBoat could be confident that Mr K could repay the loans as they fell due.

However, by loan 5, I think MoneyBoat should have been concerned about Mr K's ability to repay the loan without suffering financial detriment. I say this because by loan 5, Mr K had borrowed a total of £2,500 from MoneyBoat within six months – he had essentially repaid the previous four loans within a third of their term. It didn't take Mr K long to borrow another loan after repaying the previous one. Although these loans were instalment loans, Mr K's pattern of borrowing and repaying suggested he was using them as a series of payday loans, this should have concerned MoneyBoat by this stage.

I've looked at the results of MoneyBoat's credit search and even without taking its checks further, which I think would have been the reasonable thing to do here, it saw Mr K was dependent on credit to survive. The credit file shows Mr K for a sustained period, was either close to or over the limit on a number of his credit card accounts, he was also using more than two overdraft facilities, all of which were also either close to or over their limit. This information along with the history of his borrowing from MoneyBoat suggests Mr K hadn't been able to free himself from debt, despite his large income.

Mr K has provided his bank statements from the time and from what I can see, had MoneyBoat taken its checks further as I think it should, it would have found that Mr K was not only reliant on his overdrafts and credit cards but was borrowing from and repaying at least three other high-cost lenders. Mr K couldn't keep up with his loan repayments without the need to borrow further, this wasn't a sustainable position and as a responsible lender MoneyBoat shouldn't have lent loan 5.

MoneyBoat agrees it shouldn't have lent loan 6 and I find that by the time of loan 6, Mr K had established a pattern of borrowing that should have caused MoneyBoat concern. Mr K had now been borrowing from MoneyBoat consistently for a year, the loan amount and term had increased from the previous loan and overall, it ought to have been clear to MoneyBoat that Mr K was reliant on credit.

For loans 5 and 6 MoneyBoat needs to put things right.

Putting things right – what MoneyBoat needs to do

- Refund all interest and charges Mr K paid on loans 5 and 6.
- Pay interest of 8% simple a year on any refunded interest and charges from the date they were paid (if they were) to the date of settlement†.
- Remove any adverse information about loan 5 from Mr K's credit file.
- Any information recorded about loan 6 is adverse due to the pattern Mr K had established. So, all entries about loan 6 should be removed from Mr K's credit file.

† HM Revenue & Customs requires MoneyBoat to take off tax from this interest. MoneyBoat must give Mr K a certificate showing how much tax it's taken off if he asks for one.

My final decision

For the reasons given above, I uphold Mr K's complaint in part and direct Evergreen Finance London Limited trading as MoneyBoat.co.uk to put things right as set out above.

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.

Oyetola Oduola
Ombudsman