The complaint

Mr K has complained that Evergreen Finance London Limited trading as MoneyBoat.co.uk ("MoneyBoat") provided him with loans even though he had outstanding payday loans at the time and so these MoneyBoat loans weren't affordable for him.

What happened

Mr K was granted six loans and, I've outlined his borrowing history in the table below.

loan number	loan amount	agreement date	repayment date	number of monthly instalments	largest repayment per loan
1	£400.00	08/02/2018	25/05/2018	4	£143.66
2	£400.00	14/06/2018	24/08/2018	3	£171.67
3	£1,000.00	11/09/2018	24/12/2018	4	£356.73
break in lending					
4	£800.00	20/07/2020	28/08/2020	3	£338.35
5	£800.00	11/09/2020	24/12/2020	4	£290.28
6	£800.00	21/01/2021	outstanding	2	£542.45

MoneyBoat has also said that Mr K made a number of further loan applications, but these were declined because Mr K already had loans four and five running.

MoneyBoat considered the complaint it received from Mr K about the sale of the loans and concluded it had made a reasonable decision to lend because it had carried out proportionate checks which showed it Mr K could afford them. It did make a goodwill offer to reduce the outstanding balance on the final loan. Unhappy with this response, Mr K referred his complaint to the Financial Ombudsman.

After the complaint was referred here, MoneyBoat said the offer it had made in the final response letter was no longer available to Mr K.

The complaint was considered by an adjudicator, who didn't uphold it. She concluded MoneyBoat had carried out proportionate checks before it advanced these loans and due to the break in lending there wasn't anything to suggest the loans would be unsustainable for Mr K.

Mr K didn't agree with the adjudicator's assessment and instead asked for an ombudsman's decision.

As no agreement could be reached the case was passed to me and I issued a provisional decision explaining the reasons why I was intending to not uphold Mr K's complaint because I wasn't able to say what MoneyBoat may have seen had it carried out what I would consider to be proportionate checks.

Both parties were asked to provide any new submissions as soon as possible, but in any event, no later than 31 October 2023.

MoneyBoat said it didn't have anything new to add and Mr K didn't respond to the provisional decision.

A copy of the provisional findings follows this in 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 K 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 K'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 K. These factors include:

- *Mr K 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 K 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 K 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 K. The adjudicator didn't think it had reached this point and I agree, considering the break in lending between loans three and four.

MoneyBoat was required to establish whether Mr K 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 K 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 K's complaint.

Loans 1 – 3

Before these loans were approved, MoneyBoat asked Mr K for details of his income, which he declared as being £3,300 per month for the loans in this lending chain. MoneyBoat says the declared income figure was verified using a credit reference agency.

As part of the applications, Mr K was asked for details of his monthly expenditure, which included asking for details of credit commitments, food, transport, other and rent / mortgage. Mr K declared monthly outgoings of £930 for loans one and three and £830 per month for loan two.

As part of the application, and from my understanding of MoneyBoat's processes, it would've used information from the credit search results to assess the figures provided by Mr K. Following this further check, MoneyBoat didn't make any adjustments towards his expenditure for loans one and three. But it did increase Mr K's outgoings by £20 per month for loan two.

MoneyBoat says Mr K declared that he lived at home with parents and so that is why he had minimal monthly repayments towards rent or a mortgage. I agree, with MoneyBoat in so far that this would lead to Mr K having fewer concerns about paying priority bills such as council tax and so this could leave him with more disposable income. So, I don't think MoneyBoat's reasoning around this point is incorrect.

Before these loans were approved MoneyBoat also carried out a credit search and it has provided a copy of the results it received from the credit reference agency for each loan.

For loan one, the headline figures don't look particularly concerning. Mr K owed other creditors around £8,000 and was utilising around 44% of his available credit on revolving credit and or budget accounts. It knew there wasn't any County Court Judgements and Mr K had only defaulted on one account in June 2017 – so just under a year before the loan was advanced.

However, there were six active credit accounts but two of them were reporting what I consider to be concerning information because two were being reported as in delinquency. Both delinquent accounts were credit cards, one was currently showing as "5" months in arrears. And looking at the repayment history the arrears had increased each month for the last five months, indicating that Mr K wasn't making any or smaller repayments towards it since August 2017.

The other credit card was showing as "2" months in arrears, and again, these had been reported in the two months before the loan was advanced, and by the time the loan one was granted, the balance of this credit card was above the credit limit.

So, one third of Mr K's active credit accounts were in arrears, and these arrears had been building in the months before the first loan was advanced and so to me is a clear sign that Mr K was likely having some form of financial difficulties. At a minimum it was demonstrating Mr K struggling to meet his existing credit commitments.

So, I do think, given the credit check results MoneyBoat may have wanted to have made further enquires with Mr K to establish what was leading him to enter arrears on his accounts for all loans in this lending chain.

MoneyBoat could've gone about doing this a number of ways, it could've asked to see bank statements, Mr K's credit file or have asked him questions as to why he appeared to be having difficulties managing his existing credit card accounts.

However, just because I think further checks need to be carried out that isn't the end of the matter, for me to be able to uphold Mr K's complaint about these loans, I would also have to be satisfied that had MoneyBoat carried out further checks it would've likely discovered these loans were unaffordable for him.

Mr K hasn't provided copies of his bank statements, credit file or any other information from around the time these loans were approved. And without anything from him, I can't conclude what MoneyBoat may have discovered had it carried out better checks. So essentially, I am saying that MoneyBoat should have done more checks but I am not satisfied due to the lack of evidence that these checks would have prevented MoneyBoat from agreeing to these loans.

Given this, I am therefore intending to not uphold Mr K's complaint about loans 1 – 3.

Loans 4 – 6

There was a break in lending of around 19 months after Mr K repaid loan three and before he was advanced loan four. This amount of time is in my view sufficient for MoneyBoat to have treated Mr K's application afresh and as if he was a new customer.

This means, that while loan four was the fourth loan advanced, it was actually the first loan of a new lending chain. So, these loans become loans 1 – 3, in a new chain and I've thought about that while considering what proportionate checks may be.

MoneyBoat carried out the same sort of checks before these loans were approved as it had done so in the first chain. This time for loan four Mr K declared a monthly income of £4,600 and then £5,500 per month for loans five and six.

In terms of outgoings, Mr K declared his outgoings were £1,150 for loan four, £2,050 for loan five and then £950 for loan six. MoneyBoat didn't make any adjustment to the figures provided by Mr K. It therefore reasonably believed Mr K had sufficient disposable income to afford each of his loan repayments.

As before, before each loan was carried out a credit search was conducted and MoneyBoat has provided the results that it received.

For loan four, Mr K's overall indebtedness had reduced to £2,249, he had six active accounts and had only opened one new credit account within the last six months. But there were three new defaults, one default had been recorded while Mr K was repaying loan three, another had been recorded during the break in borrowing between loans three and four and the final default had been recorded only two months before loan four was advanced.

The recent default was related to a loan and the defaulted balance was £2,068. I do think this time that MoneyBoat needed to have paid attention to the defaults, because there was a history of Mr K defaulting regularly within the previous two years. In addition, Mr K had shown that he had struggled to pay a loan in the months leading up to loan four being advanced.

Most of Mr K's active accounts were credit cards which were all within their credit limit. But one card showed Mr K had recent repayment difficulties in January and February 2020 because the account entered arrears and was being marked as a "2" – which indicated two months of arrears.

So, for loan four, MoneyBoat knew that Mr K had been having recent payment difficulties because one account was defaulted in May 2020, and he had also had previous difficulties at the turn of the year with a credit card.

In addition, the credit report showed that within the previous year Mr K had settled at least eight payday loan or home credit accounts. Which shows, during the gap in lending when he wasn't borrowing from MoneyBoat Mr K still had a need for credit because he was still borrowing from other lenders.

A similar picture is seen in the credit check results which MoneyBoat received before loan six was advanced. The same number of defaults are showing however, new adverse information had been reported about a credit card – because by now Mr K was £40 above the credit limit. And the evidence from the credit searches showed that Mr K had continued to seek payday loans or instalment loans from other lenders.

Mr K had repaid three such accounts between August and December 2020 (in addition to the two MoneyBoat loans he repaid in that period). So MoneyBoat, was on reasonable notice that Mr K was not only continuing to have repayment difficulties, but he still had a need for high-cost credit.

For much the same reasons as the first loan chain, I still think MoneyBoat would've wanted *to have carried out further checks to find out what was actually going on with Mr K's finances given adverse information continued to be reported and he was clearly still using this type of credit from other providers.*

However, as before just because I think further checks need to be carried out that isn't the end of the matter, for me to be able to uphold Mr K's complaint about these loans, I would also have to be satisfied that had MoneyBoat carried out further checks it would've likely discovered these loans were unaffordable for him.

I don't have any documentation from Mr K covering the period of these loans, and therefore I can't base, on what I currently have to hand, uphold his complaint about this chain of lending and therefore I am not upholding Mr K's complaint.

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.

As neither party provided any new submissions, I see no reason to depart from the findings I reached in the provisional decision. I still don't think the checks MoneyBoat carried out before the loans were granted were sufficient. However, I haven't received any information from Mr K to show what MoneyBoat may have seen had it carried out proportionate checks.

I therefore, do not uphold Mr K's complaint.

My final decision

For the reasons I've explained above and in the provisional decision, 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 30 November 2023.

Robert Walker
Ombudsman