

The complaint

Mr N complains Evergreen Finance London Limited trading as MoneyBoat.co.uk ("MoneyBoat") gave him loans which were unaffordable.

What happened

A summary of Mr N's borrowing can be found in the table below.

loan number	loan amount	agreement date	repayment date	number of monthly instalments	highest repayment per loan
1	£800.00	16/09/2022	22/02/2023	6	£257.70
2	£1,500.00	03/03/2023	outstanding	6	£458.01

MoneyBoat considered the complaint and concluded it had made a reasonable decision to provide these loans because it had carried out proportionate checks. Unhappy with this response, Mr N referred his complaint to the Financial Ombudsman.

The complaint was then considered by an investigator, who upheld it in full. He said MoneyBoat had information that showed Mr N had more credit commitments than what had been declared and by loan 2, Mr N had further credit commitments. So, MoneyBoat had sufficient information to show these loans weren't affordable.

MoneyBoat partly agreed with the investigator's recommendation. It agreed to put things right, as the investigator had said for loan 1 only. For loan 2, Mr N provided a larger monthly income which was verified and so the loan was affordable.

As no agreement could be reached the complaint was passed to me and I issued a provisional decision outlining why I was intending to conclude MoneyBoat only needed to put things right for loan 1.

Both parties were asked for any further submissions. MoneyBoat responded and explained it had nothing further to add. Mr N responded disagreeing with the provisional decision, and I've summarised his response below.

- Mr N confirmed he did receive a salary increase from February 2023 to just over £3,000 per month.
- Bank statements were shared with MoneyBoat prior to loan 1 being granted which showed he was using his overdraft.
- Mr N has said that the £4,500 monthly income figure MoneyBoat had for loan 2, is perhaps the pre-tax amount he received.
- Mr N provided an overview of his living costs, which came to a maximum £632 per month excluding rent. He also had around £1,400 of existing credit commitments across flexible credit products, buy-now-pay-later loans and other loans.
- All of Mr N's other creditors ought to have been flagged to MoneyBoat after it carried out credit search as well as showing missed payment markers.

- Mr N returned for loan 2, shortly after repaying loan 1, it was for a larger amount and so should've have been of a concern for MoneyBoat.
- Mr N provided bank statements for the months before loan 2, which is what he says was shared with MoneyBoat.

Further enquires were then made with MoneyBoat about whether it saw any bank statements or had access to open banking during the lending relationship. It initially said that it did see bank statements, but this wasn't until May 2023 – which is after loan 2 was granted.

Mr N then provided screen shots of emails between himself and MoneyBoat, which included Mr N sending MoneyBoat bank statements before loan 1 was granted. He also said:

- Open access banking was granted – which showed them the money received and what went out of the account.
- MoneyBoat's open banking access would've still be active (from loan 1) until the end of March 2023. And Mr N remembers, as part of the second loan application being taken to the same part of the website where open banking access is requested.
- But Mr N can't remember whether he gave MoneyBoat 90 days access to his account or whether he refreshed its access.

The screen shots of emails provided by Mr N were then forwarded onto MoneyBoat to ask for its comments – because these emails showed that open banking was requested and for at least loan 1, Mr N had provided bank statements, and this contradicted what MoneyBoat had previously told the Financial Ombudsman.

MoneyBoat responded and reiterated that there was no record of read only bank statements being accessed for either loan. And, as far as MoneyBoat is aware, no further bank statements were requested when loan 2 was given. The only bank statements it was given where when loan 1 was granted.

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 N 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 N'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 N. These factors include:

- *Mr N 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 N 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 N 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 N. But I don't consider this applies to Mr N's complaint because only two loans were granted.

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

Loan 1

MoneyBoat has accepted, following the investigator's assessment that this loan 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 this loan. But for completeness, I've outlined at the end of this decision what MoneyBoat should do (and what it has agreed to do) in order to put things right for Mr N.

Loan 2

This is the loan that MoneyBoat wanted reviewing following the investigator's assessment. The crux of the issue here is that Mr N declared a larger income and therefore the loan looked affordable.

Before the loan was approved, MoneyBoat asked Mr N for details of his income, which he declared as being £4,500 per month which is significantly greater than what he declared for loan 1. MoneyBoat says the income figure was checked through a third-party report and it felt this income was accurate and this is what was used for the affordability assessment.

Mr N also declared monthly outgoings of £1,918. My understanding of MoneyBoat's affordability process is that it likely used information from its credit search (which I'll come onto discuss below) and / or from the "Common Finance Statement" to possibly adjust the declared expenditure Mr N had provided. However, according to MoneyBoat it didn't make any adjustments to the expenses declared by Mr N. So, MoneyBoat may have felt this loan was affordable for Mr N.

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 credit searches, there isn't a regulatory requirement to do one, let alone one to a specific standard.

MoneyBoat was aware that Mr N had defaulted on one account in 2018 but that had now been settled, and that was too far removed from the loan start date to have led MoneyBoat to have concluded Mr N was having ongoing difficulties.

MoneyBoat was aware that there were two loans costing £448 per month. Mr N also had a number of credit cards – five in total. All of these credit cards were either at or close to their limit.

The investigator, noted and I would agree, that the amount Mr N declared to MoneyBoat wasn't likely to be accurate and MoneyBoat was on notice about that. The investigator worked out the monthly costs for his credit commitments, according to the credit check

results were likely around £615 and that would seem to be a fair reflection of his commitments.

However, MoneyBoat now accepts that loan 1 ought to not have been granted and this was upheld due to affordability assessment that it carried out showed that Mr N didn't have enough income to afford the repayments.

For this loan, Mr N declared a significant increase in his income, and as far as I can see, from the notes provided he was working for the same company at this loan as he was for loan 1. Given the affordability concerns that MoneyBoat had for loan one, I do think at the least it ought to have checked his income.

I appreciate MoneyBoat used a third-party tool but I do think it would've wanted an accurate reflection of his income and this could've been checked either by asking for copy of his wage slips or asking for a copy of his bank statement.

Had MoneyBoat made further enquires with Mr N then I think it would've discovered his income wasn't as high as MoneyBoat believed – his monthly income was just over £2,940 per month. And Mr N had received this amount in the two months before the loan was approved.

Taking account of the expenditure information Mr N provided (excluding his credit commitments) comes to £1,568. To this we add the credit commitments that MoneyBoat discovered from its credit checks, and this takes his monthly outgoings to £2,183. Even with the loan repayment of £458 Mr N still would've had sufficient disposable income to afford his repayment for his second loan.

Although I do think that MoneyBoat ought to have carried out further checks before this loan was approved, such as checking Mr N's income. But had MoneyBoat checked his income then it still would've thought that he would be able to afford the loan repayments that he was committed to making.

So, I am intending to not uphold Mr N's complaint about the second loan.

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've reviewed the additional comments and evidence provided by Mr N as well the bank statements provided by MoneyBoat that it says were received before loan 1 was granted. Having thought about all of this, I still think MoneyBoat's offer to pay compensation for loan 1 is fair and reasonable and I've explained why below.

It's clear from the screen shots of the emails Mr N has provided that he was given the option to sign up for Open Banking. The emails says:

"Use Open Banking to speed up your application by sharing secure access to the information we need. No payslips, bank account information or other supporting documents are required...."

So clearly, for loan 1, Mr N was given the choice of signing up to open banking. However, I can also see from another email that Mr N provided, that he gave bank statements to MoneyBoat (and MoneyBoat has now provided a copy of the information it received). I would add that initially MoneyBoat says the bank statements were only given to it after the loans were granted. It's disappointing the Financial Ombudsman wasn't given details about the bank statements being collected before loan 1 at an earlier opportunity.

But, if Mr N had granted open banking access to MoneyBoat, I don't know why he would then be required to provide bank statements because the reason for granting open banking access is so that he wouldn't have needed to have supplied any additional documentation which was confirmed in MoneyBoat's email. To me, this suggests that perhaps open banking access wasn't granted at loan 1.

I also have to weigh this up against the fact that MoneyBoat has been consistent that no open banking access was granted. From my experience of working these cases, where open banking is granted, a report is generated which looks at the recent transactions in and out of the account to check affordability. In this case, no such report has been provided and MoneyBoat says open access wasn't granted.

So, MoneyBoat says open banking wasn't granted and the evidence from Mr N shows he provided bank statements prior to loan 1 – which would likely not be needed if open banking was granted. It's therefore difficult for me to conclude, based on current evidence, that open banking was likely granted.

But MoneyBoat was given bank statements and so these needed to have been considered before advancing loan 1. But what those bank statements now show is, to some degree, irrelevant to the outcome of the complaint in relation to loan 1.

I say this because MoneyBoat has already accepted that loan 1 ought to not have been granted and has offered Mr N compensation. So even if the bank statement - which MoneyBoat saw prior to loan 1 being granted - indicated that the loan wasn't affordable, MoneyBoat would be expected to put things right for Mr N in the manner in which it has already agreed.

Loan 2

Mr N has provided a more than reasonable explanation as to why, his income looked to have increased around the time loan 2 was granted. Mr N has said that this was the pre-tax amount and not the amount he received each month. This is important, because although loan 2 was taken reasonably quickly after loan 1 had been repaid, MoneyBoat could've from the information given to it believed there had been a significant change in Mr N's circumstances – that being an increased income.

I've thought about that, but in the provisional decision, I explained that the large increase in salary – given everything else MoneyBoat knew - ought to have prompted it to have carried out further checks into Mr N's income, perhaps by asking for a wage slip or even checking his bank statement.

I also concluded that had MoneyBoat made further enquires with Mr N about his income, it would've likely discovered that his monthly income wasn't £4,500, but more likely around £3,000. But even using Mr N's actual monthly income figure, loan 2 still looked affordable.

I also don't think the way loan 1 was repaid, or the fact that Mr N returned quickly for loan 2 would've prompted further checks. After all, this was only the second loan and he had demonstrated a good repayment history. I accept one payment was made late, but that appeared to have been as a result of Mr N receiving a new bank card, rather than it being the case that he didn't have the money to make the repayment. All other payments were made on time and so that wouldn't have caused any concern to MoneyBoat.

I've also not seen any evidence that prior to loan 2 (either from the contact notes or the emails that Mr N has provided) that either bank statements were provided or that open banking access was granted. As such, and I think the rest of the checks for this loan were

proportionate. This has led me to decide that MoneyBoat didn't make an error when the second loan was provided.

Mr N provided an overview of his financial situation at the time of loan 2, which included listing the number of creditors that he had and the value of the payments he was making each month towards them – Mr N calculated he was spending around £1,400 per month on existing creditors when he applied for loan 2.

I therefore re-visited the credit check results received by MoneyBoat from the credit reference agency at the time loan 2 was granted, to see what information it was told about the existing creditors. MoneyBoat was told at the time that Mr N had two active loans, a number of credit cards and three current accounts. The information from the credit search didn't suggest that Mr N was using an overdraft and there wasn't any adverse payment information to suggest he had gone over the limit.

The results indicated that Mr N had only opened one new credit account within the last six months. This in itself wouldn't indicate to MoneyBoat that he was reliant on debt to meet his outgoings or stuck in a cycle of continuous borrowing.

The two loans from the credit report were costing Mr N £448 per month to service and on top of that, he had around £6,500 of credit card debt as well. However, the credit file results didn't indicate that Mr N's credit commitments at the time were anywhere near as much as he said they were at £1,400 per month. That doesn't mean his credit commitments weren't as high as £1,400, merely only that information wasn't reflected in the results given to MoneyBoat.

From Mr N's bank statements, I can see that he took on another instalment loan on the same day as his second loan. But that loan didn't appear in the credit search results. So again MoneyBoat can't reasonably have been aware of that when calculating Mr N's outgoings.

Given this was a second loan, I think it was fair and reasonable for MoneyBoat to have relied on the information given to it. I say this especially because it didn't have any other information to contradict what the credit agency told it.

I've also not seen anything from the email screen shots provided by Mr N, nor the information MoneyBoat has provided, to show bank statements were requested before loan 2. I also think that a review of Mr N's bank statements would've been disproportionate at the time, given the circumstances. So, I am therefore not upholding Mr N's complaint about loan 2.

I understand an outstanding balance remains due for loan 2 and I would remind MoneyBoat of its obligation to treat Mr N fairly and with forbearance if necessary.

Putting things right

MoneyBoat shouldn't have lent loan 1 to Mr N. So to put things right it should:

- A. Add together the total of the repayments made by Mr N towards interest, fees and charges on loan one.
- B. Calculate 8% simple interest* on the individual payments made by Mr N which were considered as part of "A", calculated from the date Mr N originally made the payments, to the date the complaint is settled.
- C. If there is still an outstanding balance due for loan two, then the amounts calculated in "A" and "B" can be used to repay any balance remaining. But only if MoneyBoat still owns the debt. If this results in a surplus then the surplus should be paid to Mr N.

However, if there is still an outstanding balance then MoneyBoat should try to agree an affordable repayment plan with Mr N.

- D. Remove any adverse information recorded on Mr N's credit file in relation to loan one.

*HM Revenue & Customs requires MoneyBoat to deduct tax from this interest. MoneyBoat should give Mr N a certificate showing how much tax has been 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 N's complaint in part.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 12 April 2024.

Robert Walker
Ombudsman