The complaint

Mr P complains that Evergreen Finance London Limited trading as MoneyBoat.co.uk ("MoneyBoat") provided him with loans without carrying out sufficient affordability checks.

What happened

A summary of Mr P's borrowing can be found below.

loan number	loan amount	agreement date	repayment date	number of monthly instalments	largest repayment per loan
1	£800.00	09/01/2022	25/03/2022	3	£356.57
2	£600.00	28/03/2022	03/05/2022	6	£185.70
3	£700.00	04/06/2022	14/06/2022	5	£230.32
4	£500.00	27/06/2022	20/12/2022	6	£154.68
5	£1,400.00	22/12/2022	outstanding	6	£446.47

MoneyBoat considered the complaint it received from Mr P about the sale of the loans and concluded it had made a reasonable decision to lend loan 1 and loans 3 - 5 because it had carried out proportionate checks which showed the loans to be affordable.

However, MoneyBoat noted loan 2 may not have been sustainable given the information Mr P provided. MoneyBoat offered to refund the interest Mr P had paid for this loan and then use this amount to offset the outstanding balance that Mr P had to pay for loan 5.

Unhappy with this response and offer, Mr P referred the complaint to the Financial Ombudsman.

The complaint was considered by an investigator, who in her latest assessment didn't uphold the complaint about loan 1 and endorsed MoneyBoat's offer to put things right for loan 2. She also upheld the remaining loans because Mr P had defaulted on an account a month before his third loan was granted and he was over his credit limit on one of his credit cards. So, she thought further checks were needed, which may have included reviewing his bank statements. Had better checks been made MoneyBoat would've likely discovered he was overdrawn and was using a flexible credit facility and so Mr P wouldn't likely be able to repay the loan.

MoneyBoat didn't agree with the investigator's assessment saying it didn't feel there was sufficient prompts in the information it had to hand to warrant further checks. As no agreement could be reached the case has been passed 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 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 have 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 investigator didn't consider this applied to Mr P's complaint and I would agree when thinking about the number of loans provided.

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.

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

The investigator didn't uphold Mr P's complaint about the loan and in response to the assessment Mr P doesn't appear to have disagreed with what the investigator said, so this would include not upholding the loan. Therefore, as the loan appears to no longer be in dispute, I haven't considered it further.

Loan 2

MoneyBoat has already accepted in the final response letter that this loan ought to not have been provided. It has offered to pay compensation and so I won't consider this loan any further. Although I have included what it needs to do, and what it has agreed to in the 'putting things right' section at the end of this decision.

Loans 3 - 5

MoneyBoat carried out the same sort of checks for these loans as it had done for the previous loans. Mr P declared a monthly income of between £2,540 and £2,589 for these loans – so broadly the same amount as had been declared for previous lending. MoneyBoat says the income figures were checked using a tool provided by a credit reference agency, so it concluded that Mr P's income was accurate.

Mr P also provided details of his expenditure, and he declared figures ranging from £1,390 to £1,539 per month. MoneyBoat carried out an assessment of his expenditure using his credit check results and it concluded the monthly outgoings figures were likely accurate and so didn't need to be adjusted. Based, solely on the income and expenditure checks Mr P could afford to repay his loans.

Before each loan, 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.

Looking at the loan 3 credit search results they are, as the investigator pointed out, concerning information. MoneyBoat was on notice that Mr P had defaulted on a credit card account around a month before the loan was granted after the account had been in arrears for a number of months. This is so close to the loan start date that MoneyBoat ought to have considered whether Mr P was experiencing ongoing financial difficulties.

The rest of the credit search results do suggest that he was having wider financial difficulties. His mortgage had gone into arrears in March 2022 and December 2021, he had another credit card that went into arrears in April 2022 and then there was a further credit card that was over its credit limit and Mr P hadn't made any payments in the last four months.

Clearly, Mr P was having difficulties to the extent that a number of accounts were having missed payments recorded against them and I think that this information alone is arguably enough to have led MoneyBoat to realise that Mr P couldn't make his loan repayments. MoneyBoat ought not to have advanced loan 3 or any of the later loans.

I say that mindful that the credit check results for loan 4, show much the same information, although the credit card that hadn't had payments made for four months had now been corrected. But I don't think that detracts from Mr P's wider situation, because there was still evidence that Mr P was more than likely experiencing financial difficulties which isn't surprising considering loan 4 was approved in the same month as loan 3.

The credit check data at loan 5, showed the same credit card as being in significant arrears between July 2022 and October 2022 – a further indication that Mr P was not on top of his finances and was likely having difficulties. And another credit card was now over its credit limit and he had been regularly taking cash advances. Overall, there was no improvement in his credit file and indeed the results suggested that he continued to have financial difficulties – so as I have indicated earlier this loan ought to not have been granted either.

The investigator thought that by loan 3 MoneyBoat ought to have carried out further checks in order to verify the information that Mr P was providing. I can understand why the investigator thought that – but to be clear I do think the credit check results themselves were sufficiently concerning that these loans ought to not have been provided.

However, had MoneyBoat decided to it felt that it needed to conduct further affordability checks it could've gone about doing this a number of ways. MoneyBoat could've asked to see copy bills, bank statements, or any other documentation it felt it may have needed to have obtained in order to have a thorough understanding of Mr P's finances.

Mr P provided copy bank statements from around the time this loan was approved, and I've looked at these to see what MoneyBoat may have seen had it taken similar action. By loan 3, MoneyBoat would've realised the income Mr P declared was accurate. MoneyBoat would've discovered that Mr P had at least four outstanding loans as well as making use of a flexible credit product where in the month before loan 3 it had cost Mr P over £1,000 to service and repay. On top of the credit commitments, he had his living costs and I don't think had MoneyBoat reviewed his bank statements it would've felt the loans were affordable.

MoneyBoat ought not to have granted loans 3 to 5 so it should pay compensation to Mr P as directed below. It has also made an offer to settle loan 2, so it also needs to pay that as well. For completeness, I've set out below what MoneyBoat needs to do in order to put things right.

Putting things right

In deciding what redress MoneyBoat should fairly pay in this case I've thought about what might have happened had it stopped lending to Mr P at loan 2, 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 – particularly as a relationship existed between them and this particular lender which they may not have had with others. If this wasn't a viable option, they 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 now accurately reconstruct. 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 given Mr P loans 2 to 5.

If MoneyBoat has sold the outstanding debt it should buy it back if MoneyBoat is able to do so and then take the following steps. If MoneyBoat can't buy the debt back then MoneyBoat should liaise with the new debt owner to achieve the results outlined below.

A. MoneyBoat should add together the total of the repayments made by Mr P towards interest, fees and charges on all upheld loans without an outstanding balance.
B. To this it 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 then remove all interest, fees and charges from the balance of loan 5, and treat any repayments made by Mr P as though they had been repayments of the principal. If this results in Mr P having made overpayments then MoneyBoat should refund these overpayments with 8% simple interest* calculated on the overpayments, from the date the overpayments would have arisen, to the date

the complaint is settled. MoneyBoat should then refund the amounts calculated in “A” and “B” and move to step “E”.

D. If there is still an outstanding balance, then the amounts calculated in “A” and “B” can be used to repay any balance remaining on loan 5. If this results in a surplus, then the surplus should be paid to Mr P. However, if there is still an outstanding balance then MoneyBoat should try to agree an affordable repayment plan with Mr P.
E. MoneyBoat should remove any adverse information recorded on Mr P’s credit file in relation to loans 2 to 5.

*HM Revenue & Customs requires MoneyBoat 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, I’m upholding Mr P’s complaint in part.

Evergreen Finance London Limited trading as MoneyBoat.co.uk should put things right 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 29 May 2024.

Robert Walker
Ombudsman