DRN-4850278

The complaint

Ms T complains through a representative, that Evergreen Finance London Limited trading as MoneyBoat.co.uk ("MoneyBoat") provided her with a loan she couldn't afford to repay.

What happened

Ms T was advanced one loan of £300 on 21 June 2019. Ms T was due to make three monthly repayments of £103.38 followed by a final payment of £103.65. Ms T has had some problems repaying the loan, and she is currently making repayments through a repayment plan.

MoneyBoat considered the complaint, and it concluded it had made a reasonable decision to lend. Unhappy with this response, Ms T's representative referred the complaint to the Financial Ombudsman.

The complaint was then considered by an investigator, who upheld it. He concluded the credit check results received by MoneyBoat indicated Ms T was already having problems managing her existing commitments.

MoneyBoat didn't agree saying it could see two defaults, but one had almost been settled and in relation to the other one, monthly repayments were being made to reduce the balance. MoneyBoat also acknowledged that two loan accounts were in arrears, but it thought as the amounts were being reduced it showed Ms T was handling the situation.

As no agreement could be reached the case has been passed to me 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 Ms T could afford to pay back the amount she'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 Ms T'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 Ms T. These factors include:

- Ms T 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);
- Ms T 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);
- Ms T 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 Ms T. The investigator didn't consider this applied to Ms T's complaint and I would agree given there was only one loan.

MoneyBoat was required to establish whether Ms T could *sustainably* repay the loan – not just whether she technically had enough money to make her repayments. Having enough money to make the repayments could of course be an indicator that Ms T was able to repay her loan 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 Ms T's complaint.

MoneyBoat asked Ms T for details of her income, which she declared as being £1,541 per month. MoneyBoat says the declared income figure was cross referenced using a tool provided by a credit reference agency. That doesn't seem an unreasonable approach for a first loan.

Ms T was also asked for details of her monthly expenditure, which included asking for how much she paid to rent, credit commitments, food, transport and other spending and she declared her monthly outgoings were £1,310.

MoneyBoat compared Ms T's declared outgoings with information from her credit report and to bring her expenditure up to values found in the "*Common Financial Statement*". Following further checks, MoneyBoat increased Ms T's expenses by an additional £20 per month. For its affordability check it used a monthly expenditure figure of £1,330. MoneyBoat could see Ms T had sufficient disposable income to afford her repayments.

Before the loan was approved MoneyBoat also carried out a credit search and it has provided a copy of the results it received from the credit reference agency.

MoneyBoat was told that Ms T had 13 active accounts, owing around £7,435 and Ms T had only opened one new account within the previous six months. Superficially the results appeared to suggest Ms T could afford to make her payments.

However, MoneyBoat was told that Ms T had recently defaulted on two accounts (in addition to other defaults) – one in January 2019 and one in February 2019. I've taken on board what MoneyBoat says that payments appeared to have been made towards the defaulted balances. Indeed, one balance was down to the final £4 and the other one Ms T had paid around £100 towards the balance.

But I don't think MoneyBoat could simply ignore these defaults even though Ms T appeared to be trying to settle them. I say this because there were a further two accounts (both loans) that were being marked as delinquent.

One of the accounts was showing as being '5' months in arrears and Ms T hadn't made any repayments towards the balance in the previous two months. Ms T was due to make monthly repayments of £155 per month but the loan balance had only decreased by just over £100 in the previous six months. Indicating longer term difficulties managing her loan repayments.

The other loan account was showing as being '4' months in arrears – this loan had monthly repayments of £50 but again no payments had been made in the previous two months.

So MoneyBoat was aware, from the credit check results that Ms T was already struggling to meet two loan repayments totalling £205 per month. The arrears were building due to Ms T not making the contracted payments as the other creditors had expected. So, I don't think it was fair or reasonable for MoneyBoat to have concluded that Ms T would be able to afford its monthly repayment of around £103 when she was already demonstrating she couldn't afford her existing commitments.

I've considered that MoneyBoat says perhaps further information ought to have been sought before it granted the loan, but in the individual circumstances of this complaint, I think it already had sufficient information to realise that Ms T was unlikely to be able to afford her repayments due to having difficulties making her existing payments.

I am therefore upholding Ms T's complaint and I've set out below what it needs to do to put things right for her.

Putting things right

In deciding what redress MoneyBoat should fairly pay in this case I've thought about what might have happened had it not lent to Ms T. Clearly there are a great many possible, and all hypothetical, answers to that question.

For example, having been declined this lending Ms T may have simply left matters there, not attempting to obtain the funds from elsewhere. 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 Ms T 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 Ms T 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 Ms T the loan.

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

A. MoneyBoat should remove all interest, fees and charges from the balance of the loan and treat any repayments made by Ms T as though they had been repayments of the principal. If this results in Ms T 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.

B. However, if there is still an outstanding balance then MoneyBoat should try to agree an affordable repayment plan with Ms T and I would remind MoneyBoat of its obligation to treat Ms T fairly and with forbearance.
C. MoneyBoat should remove any adverse information recorded on Ms T's credit file in relation to the loan.

*HM Revenue & Customs requires MoneyBoat to deduct tax from this interest. MoneyBoat should give Ms T a certificate showing how much tax it has deducted, if she asks for one.

My final decision

For the reasons I've outlined above, I am upholding Ms T's complaint.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms T to accept or reject my decision before 11 July 2024.

Robert Walker
Ombudsman