

The complaint

Mr M complains that Evergreen Finance London Limited trading as MoneyBoat.co.uk (“MoneyBoat”) provided him with loans which weren’t affordable.

What happened

A summary of Mr M’s borrowing can be found below.

loan number	loan amount	agreement date	repayment date	number of monthly instalments	largest repayment per loan
1	£300.00	22/02/2019	30/04/2019	3	£124.52
2	£300.00	10/05/2019	30/08/2019	4	£111.84
3	£300.00	24/10/2019	20/12/2019	3	£125.36

MoneyBoat considered the complaint and didn’t uphold it. Unhappy with this response Mr M referred the complaint to the Financial Ombudsman.

The complaint was considered by an investigator, who upheld the complaint in full because the credit search results received by MoneyBoat showed Mr M was likely experiencing financial difficulties.

MoneyBoat didn’t agree with the investigator’s assessment, and I’ve considered what it has said. 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 M 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 M’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 M. These factors include:

- Mr M 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 M 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 M 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 M. The investigator didn't consider this applied to Mr M's complaint and I would agree when thinking about the number of loans provided.

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

For all of these loans MoneyBoat carried out the same sort of checks. Mr M declared that his monthly income was £1,620 at loan 1 and £1,800 for both loans 2 and 3. MoneyBoat says the income figures were checked using a tool provided by a credit reference agency so it concluded that Mr M's income was accurate. And I consider that a reasonable approach.

Mr M also provided details of his expenditure, and he declared these ranged between £630 to £750 per month. MoneyBoat carried out an assessment of his expenditure using the credit check results and averages contained within the common financial statement.

Having conducted these further checks, MoneyBoat increased his outgoings for each loan of between £440 and £485 per month. Even taking account of the larger outgoings, Mr M still appeared to have sufficient funds to be able to afford the loan.

However, the crux of the issue is the investigator said the credit check results were significantly adverse that it ought to have led MoneyBoat to conclude that the loans weren't sustainable.

MoneyBoat also carried out a credit search before it advanced each loan and it has provided the results it received from the credit reference agency and I've therefore reviewed the information it received for each loan to determine whether it ought to have lent.

Looking at the loan 1 credit search results they are, as the investigator pointed out, concerning. Firstly, in 2016 and 2017 Mr M must have had significant repayment problems because he defaulted on seven accounts totalling more than £22,000.

I appreciate that was at least a couple of years before the loan was advanced but Mr M had made very little if any headway at all into repaying the debts. There did appear to be some attempt to make payment towards the balance but for whatever reason that had ceased in October 2018. So, MoneyBoat knew of historic difficulties but it did know significant debts remained which hadn't yet been repaid.

Mr M also had four active loan accounts – given the value of the repayments it is likely that most were either payday or instalment loans. These four accounts had all been opened within the last five months and were costing Mr M £450 per month to service. Which was significantly more than the credit commitments Mr M had declared to MoneyBoat as part of his application.

In addition to the newly opened accounts, in total MoneyBoat knew that Mr M had opened 5 accounts in the previous 6 months and had also closed 3 other payday loan accounts. To me, this is an indicator that Mr M was opening new accounts in order to repay existing borrowing, which isn't sustainable.

So, I think by the first loan, checks showed MoneyBoat that Mr M was having problems managing his money due to the number of and frequency of opening new loan accounts. In these circumstances, I think MoneyBoat ought to have realised it was unlikely Mr M would've been able to sustainably repay this loan – and any subsequent loans.

I've also looked at the rest of the credit search results and by loan 3, Mr M's credit file had in my view deteriorated further. There was evidence that he had continued to take further loans and while Mr M only had two active loan accounts, he had had difficulties in repaying both of them.

I take on board what MoneyBoat says that he was making repayments towards them but both creditors were recording that Mr M was only able to make the repayments through a repayment plan and had been making those payments for at least the previous five months. I don't think someone who is in good financial health would have the need for an extended repayment plan. Therefore, I still think MoneyBoat had evidence that this loan was unlikely to be repaid in a sustainable manner.

Overall, I am upholding Mr M's complaint, in full and I've set out below what MoneyBoat needs to do in order to put things right for him.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed below results in fair compensation for Mr M in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

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 Mr M, 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 M 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 M 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 M 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 lent to Mr M.

- A. MoneyBoat should add together the total of the repayments made by Mr M towards interest, fees and charges on these loans.
- B. It should calculate 8% simple interest* on the individual payments made by Mr M which were considered as part of "A", calculated from the date Mr M originally made the payments, to the date the complaint is settled.
- C. MoneyBoat should pay Mr M the total of "A" plus "B".
- D. It should remove any adverse information recorded on Mr M's credit file in relation to these loans.

*HM Revenue & Customs requires MoneyBoat to deduct tax from this interest. MoneyBoat should give Mr M 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 M's complaint.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 14 August 2024.

Robert Walker
Ombudsman