

The complaint

Mrs 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

Mrs T was advanced one loan of £200 on 24 April 2023. Mrs T was due to make two monthly repayments of £99.81 followed by a final payment of £99.80. Mrs T repaid the loan on 12 June 2023.

MoneyBoat considered the complaint, and it concluded it had made a reasonable decision to lend because it had carried out proportionate checks. Unhappy with this response, Mrs 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 Mrs T was already having problems managing her existing commitments.

MoneyBoat didn't agree saying Mrs T was advanced one loan with a repayment of less than £100 per month. While it was aware of the defaults, it could see the balances were reducing indicating Mrs T was repaying them.

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 Mrs 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 Mrs 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 Mrs T. These factors include:

- Mrs 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);
- Mrs 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);

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

MoneyBoat was required to establish whether Mrs 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 Mrs 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 Mrs T's complaint.

MoneyBoat asked Mrs T for details of her income, which she declared as being £1,833 per month. MoneyBoat says the declared income figure was checked using a tool provided by a credit reference agency. That doesn't seem an unreasonable approach.

Mrs 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. Mrs T declared her monthly outgoings were £1,186.

MoneyBoat compared Mrs 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 Mrs T's expenses by an additional £458 per month.

So, for the purpose of its affordability assessment it used a monthly expenditure figure of £1,644. MoneyBoat's opinion was that Mrs 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. The investigator said the credit check results contained sufficiently adverse information that this ought to have led MoneyBoat to have concluded that the loan was unaffordable.

MoneyBoat was told that in total, Mrs T had 12 defaults in total of which 3 had been recorded against her in the last year. In total, these defaults amounted to over £54,000 worth of debt. And while, I have considered what MoneyBoat says about Mrs T making payments towards the balances. I also have to weight this up against the fact she was paying £25 per month against this balance.

Clearly, while Mrs T had some recent financial problems, the fact she was only paying a total of £25 per month indicates that Mrs T may not have been able to afford much more than that each month.

But, in addition to the defaulted accounts, Mrs T was also showing signs of having difficulties managing her existing 'live' accounts. She had a credit card account that was showing as being "1" in arrears – and the account had entered arrears a number of times in the previous months, indicating recently missed payment.

There was also another credit card, where the account had been "1" month in arrears three months before the loan was granted and at the time, the credit card was also over its

contracted limit. This is further evidence to demonstrate that Mrs T was having problems managing her current credit accounts.

Finally, there was also a delinquent mail order account which was £25 over the agreed credit limit and another mail order account that was marked as in delinquency, with the arrears marker increasing each month.

Overall, Mrs T's credit report had shown that in the not too recent past she had problems repaying accounts that ultimately defaulted. She also was having current financial difficulties managing her existing credit commitments across a number of accounts that were in arrears or subject to payment arrangements. In those circumstances, I don't think MoneyBoat could be satisfied that Mrs T could repay the loan in an affordable and sustainable manner

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

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 Mrs T in the circumstances of her 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 Mrs T. Clearly there are a great many possible, and all hypothetical, answers to that question.

For example, having been declined this lending Mrs 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 Mrs 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 Mrs 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 lent to Mrs T.

- A. MoneyBoat should add together the total of the repayments made by Mrs T towards interest, fees and charges on the loan.
- B. It should calculate 8% simple interest* on the individual payments made by Mrs T which were considered as part of "A", calculated from the date Mrs T originally made the payments, to the date the complaint is settled.
- C. MoneyBoat should pay Mrs T the total of "A" plus "B".
- D. It should remove any adverse information recorded on Mrs T's credit file in relation to the loan.

*HM Revenue & Customs requires MoneyBoat to deduct tax from this interest. MoneyBoat should give Mrs 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 Mrs T's complaint.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs T to accept or reject my decision before 14 August 2024.

Robert Walker
Ombudsman