

The complaint

Mr B 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 B's borrowing can be found below.

loan number	loan amount	agreement date	repayment date	number of monthly instalments	largest repayment per loan
1	£500.00	08/10/2021	22/10/2021	4	£183.58
2	£500.00	18/11/2021	10/02/2022	4	£171.61
3	£1,000.00	03/03/2022	23/08/2022	6	£291.84
4	£1,000.00	09/09/2022	23/02/2023	6	£280.32
5	£1,500.00	02/03/2023	outstanding	6	£439.57

MoneyBoat, considered Mr B's complaint and didn't uphold it. Unhappy with this response, Mr B referred the complaint to the Financial Ombudsman.

The complaint was considered by an Investigator, who didn't uphold it about loans 1 - 4. However, she thought loan 5 shouldn't have been granted as the lending was now harmful for Mr B.

Mr B appears to have agreed with the outcome. Whereas MoneyBoat didn't agree with the Investigator's assessment for loan 5 saying.

- The credit file showed no defaults within the last three years and there were no signs of financial difficulties.
- When loan 5 was granted, it contacted Mr B and asked him to confirm that he wasn't in financial difficulties and wasn't reliant on this sort of lending. MoneyBoat says Mr B told it that he wasn't.
- MoneyBoat has said that perhaps additional information may have been needed from Mr B.

These points didn't change the investigator's mind and 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 B 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 B'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 B. These factors include:

- Mr B 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 B 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 B 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 B. The Investigator thought this had been reached in Mr B's complaint by loan 5 and I've explained below why I agree with this.

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

Loans 1 – 4

The investigator didn't uphold Mr B's complaint about these loans. In response to the assessment Mr B's representative appears to have accepted what the investigator said, so this would include not upholding these loans. Therefore, as these loans appear to no longer be in dispute, I haven't considered them further.

Loan 5

By loan 5, Mr B had been indebted to MoneyBoat for around 16 months and I think it's clear by this point that its checks weren't proportionate. While I accept that MoneyBoat may have been confident that Mr B would be able to afford this loan, based solely on its checks, I do have some reservations, given the number of loans taken, the time in which Mr B had been indebted to MoneyBoat as well as the inconsistent information Mr B was providing for each application with regards to his credit commitments.

I would also add that the credit file MoneyBoat received did indicate that Mr B was likely having ongoing financial difficulties. He had two credit cards, which were over the limit, and one was now showing as being as "4" months in arrears and the other "3" month in arrears. Indeed, the credit file showed one of the credit card accounts became delinquent in the month before loan 5 was approved.

There were also another two accounts, one which been opened in November 2022 and the other in May 2021 and both of these were now "1" month in arrears when loan was granted.

So regardless of what questions MoneyBoat asked Mr B as part of his application, it ought to have already concluded he may have been experiencing difficulties given there were at least four active credit accounts showing recent and ongoing payment problems.

Notwithstanding my concerns about the credit check results – I've also looked at the overall pattern of MoneyBoat's lending history with Mr B, with a view to seeing if there was a point at which MoneyBoat should reasonably have seen that further lending was unsustainable, or otherwise harmful. And so MoneyBoat ought to have realised that it shouldn't have provided any further loans.

Given the circumstances of Mr B's case, I think that this point was reached by loan 5. I say this because by this point MoneyBoat ought to have realised Mr B was not managing to repay his loans sustainably and to have realised it was more likely than not Mr B was having to borrow further to cover a long-term shortfall in his living costs.

- From the first loan, there wasn't any other significant breaks in the borrowing relationship between Mr B and MoneyBoat. While there were some gaps, the largest of these was around a month. To me, the apparent constant need for credit is a sign that Mr B was using these loans to fill a long-term gap in his income rather than as a short-term need.
- Mr B's first loan was for £500 and loan 5 was for £1,500. At this point MoneyBoat ought to have known that Mr B was not likely borrowing to meet a temporary shortfall in his income but to meet an ongoing need.
- Mr B wasn't making any real inroads to the amount he owed MoneyBoat. Loan 5 was taken out 16 months after Mr B's first loan and it was for three times the value. In effect Mr B had paid large amounts of interest to, service a debt to MoneyBoat over an extended period.

I think that Mr B lost out when MoneyBoat provided loan 5 because:

- the loan had the effect of unfairly prolonging Mr B's indebtedness by allowing him to take expensive credit intended for short-term use over an extended period
- the number of loans and the length of time over which Mr B borrowed was likely to have had negative implications on Mr B's ability to access mainstream credit and so kept him in the market for these high-cost loans.

Overall, I'm upholding Mr B's complaint about loan 5 and I've outlined below what MoneyBoat needs to do in order to put things right.

Finally, I've considered whether MoneyBoat acted unfairly or unreasonably in any other way including 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 B 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 stopped lending to Mr B at loan 5, 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 B 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 B 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 B 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 B loan 5.

- A. MoneyBoat should remove all interest, fees and charges from the balance of loan 5, and treat any repayments made by Mr B as though they had been repayments of the principal. If this results in Mr B 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 Mr B. MoneyBoat shouldn't pursue outstanding balances made up of principal MoneyBoat have already written-off.
- C. The overall pattern of Mr B's borrowing for loan 5 means any information recorded about it is adverse, so MoneyBoat should remove the loan entirely from Mr B's credit file. MoneyBoat doesn't have to remove loan 5 from Mr B's credit file until it has been repaid, but MoneyBoat should still remove any adverse information recorded about it.

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

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 19 September 2024.

Robert Walker
Ombudsman