

The complaint

Mr S, through his representative, complains that Evergreen Finance London Limited trading as www.moneyboat.co.uk (“MoneyBoat”) lent to him irresponsibly.

What happened

A summary of Mr S’ borrowing can be found in the table below.

Loan	Approved	Amount	Monthly Repayments	Status
1	14 November 2023	£200	6 x £54.70	Repaid early 10 February 2024
2	25 April 2024	£300	6 x £92.88	Last payment due 25 October 2024

After Mr S’ representative had complained on behalf of Mr S, MoneyBoat sent its final response letter (FRL) in June 2024. It explained the checks it had carried out before lending and did not uphold his complaint.

After Mr S’ complaint had been referred to the Financial Ombudsman Service, one of our investigators thought that MoneyBoat had done enough for loan 1 and did not consider it had to put things right for this loan. But for loan 2 she considered that the credit file showed an increased reliance on credit and that ought to have led MoneyBoat to reject Mr S’ loan application. So, she upheld that part of the complaint.

Mr S’ representative did not respond.

MoneyBoat was not content and it was referred to me for a decision. On 2 September 2024, I issued a provisional decision in which I gave reasons why I did not think that the complaint should be upheld. That is duplicated later in this decision for ease of reading.

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.

Both parties had time to consider the provisional decision. Neither has responded with any further evidence or any further submissions. And so, I consider it fair and reasonable to reach resolution and issue my final decision.

What follows in italics and indented is a duplicate of the reasoning and findings set out in my provisional decision all of which are repeated here in my final decision. For the same reasons my final decision is that I do not uphold the complaint.

The provisional decision dated

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 S 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 several different things, such as how much was being lent, the size of the repayments, and Mr S' income and expenditure.

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 S. These factors include having a low income, high repayment costs, having lots of loans or repeatedly returning for new loans.

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable for Mr S. Our investigator did not think that was relevant here as he'd taken two loans only. I agree with that.

MoneyBoat was required to establish whether Mr S 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 S was able to repay her 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 S' complaint.

Loan 1

Mr S appears to have said to MoneyBoat that his income was around £1,546 a month. MoneyBoat has explained that it confirmed Mr S' employment, verified Mr S' salary using a well-established on-line verification method involving the credit reference agencies (CRAs) and it saw copies of Mr S' payslips.

He declared his rent/mortgage as £0. Mr S' household expenses were low as Mr S had explained he lived at home with his parents.

Mr S had declared his credit expenses as being £383 a month and then other expenditure as well. MoneyBoat assessed Mr S' declared expenditure and increased that figure for this application. This was because of the CRA report information MoneyBoat had obtained. Still the income and expenditure assessment produced a positive figure such that MoneyBoat thought that Mr S could afford the loan.

I've reviewed the credit report MoneyBoat obtained for Mr S in November 2023. It reveals historic arrears on accounts that were closed. Mr S had a few active and open accounts. He had a bank account, two telecoms accounts, one of which was costing £19 a month, and two loans. One of the open telecoms accounts had a history of arrears but for the previous few months had been paid satisfactorily.

Of the two loan accounts, one was costing Mr S £31 a month and the other £60 a month. They were for modest amounts and as MoneyBoat has pointed out, due to be paid off relatively soon.

I consider that MoneyBoat carried out proportionate checks and for a new customer and for a loan of £200 I'd not expect MoneyBoat to have done more.

I agree with our investigator on loan 1 and I plan not to uphold the complaint about loan 1.

Loan 2

For loan 2, MoneyBoat carried out the same sort of checks and it would have seen that Mr S repaid loan 1 satisfactorily and early. That payment record would have been relevant to the new loan application made a couple of months after paying off loan 1.

Loan 2 was for a relatively modest sum of £300 and it was only the second loan Mr S had applied to MoneyBoat for. Mr S' declared income had increased a little to £1,694 a month.

MoneyBoat has said it verified that income. Having carried out the same checks and applied similar expenditure figure increases as it did for loan 1, MoneyBoat considered that Mr S had enough money left over after paying his expenses and existing credit commitments to afford the repayments for loan 2.

I have reviewed the credit report MoneyBoat obtained in April 2024 and Mr S did not have a large overall debt figure – around £2,050. But it's apparent that Mr S had recently opened five new accounts which he was still paying off – one in December 2023, and four in February and March 2024. One was for a credit card and four were for loans. The loan repayments were due to be £424 a month plus the credit card which was at its limit of £200. The minimum payment for that card plus the new MoneyBoat loan would have taken his monthly credit commitment to around £523 a month which was around 30% of his net salary.

Balanced against that was the low household cost Mr S would have had as he had said he was living at home with his parents. And so, his risk to being exposed to difficulty paying priority bills such as rent and utility bills was very low.

On balance, I do not agree with our investigator that this information ought to have led to a refusal of the loan but equally I do think that there's enough of a pattern of rapidly increased use of credit in a short time to prompt MoneyBoat to have asked further questions. And so, I needed to assess what it is that MoneyBoat may have seen if it had asked Mr S some additional questions about his financial situation in April 2024.

I've no additional financial information from Mr S apart from the representative's payday loan questionnaire Mr S had completed in April 2024. Reviewing that it shows that Mr S accepts MoneyBoat explained the cost of the loan to him, did ask him about his employment, income and expenditure, and credit history and has never missed a payment on the loans. And so that indicates he's not in arrears on loan 2 which is still within its six month term.

I've no financial evidence from Mr S. And so, although I consider that MoneyBoat ought to have done more, on current evidence I plan not to uphold the complaint. Both parties have two weeks to respond after which I plan to issue a final decision on the complaint.

I've also considered whether MoneyBoat acted unfairly or unreasonably in any other way and I have considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think it lent irresponsibly to Mr S or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

My final decision is that I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 16 October 2024.

Rachael Williams
Ombudsman