

The complaint

Mrs M complains Evergreen Finance London Limited trading as MoneyBoat.co.uk (“MoneyBoat”) provided her with loans without properly checking her finances.

Mrs M has also made a number of other complaint points, including that the cost of the loans weren’t explained to her nor how the Continuous Payment Authority (CPA) worked.

What happened

Mrs M was granted five instalment loans and a summary of her borrowing can be found below.

loan number	loan amount	agreement date	repayment date	number of monthly instalments	largest repayment per loan
1	£200.00	14/11/2020	23/03/2021	6	£54.27
2	£200.00	02/05/2021	23/07/2021	6	£58.62
3	£500.00	23/07/2021	04/10/2021	6	£155.74
4	£300.00	26/10/2021	22/04/2022	6	£91.44
5	£800.00	25/05/2022	23/06/2023	6	£245.89

MoneyBoat considered the complaint and concluded it had made a reasonable decision to lend because it had carried out proportionate checks. Unhappy with this response, Mrs M referred the complaint to the Financial Ombudsman.

The complaint was considered by an investigator, who didn’t uphold it about loans 1 and 2. However, he did uphold the complaint about loans 3, 4 and 5 because he thought for those loans further checks were needed and had better checks been conducted MoneyBoat would’ve discovered Mrs M couldn’t afford them.

MoneyBoat didn’t agree with the investigator’s assessment and so the complaint was passed to me to review. I then issued my provisional decision explaining the reasons why I was intending to uphold Mrs M’s complaint about loan 5 only.

Both parties were asked for any further submissions as soon as possible, but in any event, no later than 23 August 2023.

Both parties responded before the deadline, MoneyBoat acknowledged the provisional decision and said it had nothing further to add and Mrs M said she accepted the provisional decision and she also didn’t have anything further to add.

As both parties have reviewed the provisional decision and didn’t have anything further submissions, I see no reason not to progress this complaint and issue the final decision.

A copy of the provisional findings follows this in smaller font and forms part of this final decision.

What I said in my provisional decision:

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 M could afford to pay back the amounts 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 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 Mrs M. These factors include:

- *Mrs 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);*
- *Mrs 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);*
- *Mrs 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 Mrs M. The investigator considered this didn't apply to Mrs M's complaint and I would agree, given the number of loans and the time she spent in debt.

MoneyBoat was required to establish whether Mrs M could sustainably repay the loans – 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 M 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 Mrs M's complaint.

Loans 1 and 2

Neither Mrs M nor MoneyBoat disagreed with the investigator's findings about these loans – that these loans shouldn't be upheld. As no new comments or points have been raised about these two lending decisions, it seems the complaint about these loans is resolved. And I say no more about them. But I have kept them in mind when thinking about the rest of the lending relationship.

Loan 3

Loan 3 was advanced on the same day that loan 2 had been repaid, and this loan was for more than twice the amount than the previous loan. The investigators thought these factors along with what the credit check results indicated that further checks ought to have been carried out. And, had it done so, then MoneyBoat would've likely discovered the loan wasn't affordable.

However, having thought about everything, I don't agree. I do not think that a customer taking a third loan on the same date the previous loan was repaid could be an indicator for further checks. But where that pattern of behaviour had not happened before this wouldn't

have been enough to have led MoneyBoat to think that it had to do further checks. Overall, I think the checks were proportionate for loan 3 and showed MoneyBoat the loan was affordable.

Mrs M declared a monthly income of £2,217 and she declared monthly outgoings of £1,500. MoneyBoat carried out an assessment of her expenditure and it concluded the monthly outgoings figure was likely to be accurate and so didn't make any adjustments.

MoneyBoat also carried out a credit search and I've considered the results. Firstly, and I can't explain how or why this has happened, but between loans 2 and 3 a loan account that was defaulted in 2019 had started to be recorded on the credit file MoneyBoat received, this gave the impression that Mrs M's overall indebtedness had suddenly increased. But that wouldn't be enough to have prompted further checks.

For this loan, Mrs M declared her existing credit commitments were around £600 per month and given the results MoneyBoat received that appeared to be broadly accurate.

MoneyBoat has provided evidence that before it granted the loan it checked Mrs M's income by obtaining screen shots from Mrs M's online bank statements, so it did know that what Mrs M had declared was likely accurate.

I've also considered the rest of the data MoneyBoat received and there wasn't anything as far as I can see to suggest that Mrs M was having or likely having financial difficulties or that this loan would've been unaffordable for her.

I am therefore intending to not uphold Mrs M's complaints about this loan.

Loan 4

This loan was advanced a few weeks after Mrs M repaid loan 3, and this time she was granted a smaller loan which had a smaller monthly repayment. And Mrs M had appeared to repay her previous three loans without any difficulties.

Mrs M declared income of £2,170 with outgoings of £1,600. As before, MoneyBoat says her income was checked with a tool provided by credit reference agency. MoneyBoat also assessed what Mrs M declared about her outgoings and it didn't make any adjustments to the figures. Based solely, on these figures the loan appeared affordable.

I've looked at the credit check results MoneyBoat received, and it didn't show any significant change compared to loan 3. Mrs M still had credit commitments of around £600 per month – and this was reflected in what she declared to MoneyBoat. So, the credit search result wouldn't have prompted further checks.

Overall, I think it was just about reasonable for MoneyBoat to have provided this loan given the information it received from Mrs M and what it discovered by carrying out what I consider to be a proportionate check. I am therefore intending to not uphold Mrs M's complaint about his loan.

Loans 5

By the time this loan was granted, Mrs M had been borrowing from MoneyBoat for well over a year, and she was now coming back for her largest loan to date which had the largest monthly repayment.

Although, MoneyBoat carried out the same sort of checks for this loan as it had done for the other loans I no longer think it was proportionate to have solely relied on the information provided by Mrs M as well as the credit check results.

Given the factors I've mentioned above, I think it had now reached the point where the checks it conducted needed to go further. MoneyBoat could've verified the information in a

number of ways, it could've asked to see bank statements, or any other documentation MoneyBoat felt it needed to obtain.

Mrs M has provided copy bank statements from the months before the loan was granted which is one way to check on a person's financial situation. I've looked at Mrs M's statements to see what MoneyBoat may have seen had it taken similar action. It would've seen that Mrs M's income was broadly in line with what she had declared.

Had MoneyBoat reviewed Miss M's bank statements it would've likely concluded the loan wasn't sustainable for her. I say this because at the time the loan was approved, she was already making payments to four other loan providers – which included two payday loan providers and two high-cost credit providers. On top of this, she was making repayments to a high-cost flexible credit facility. The payments to these loans and facilities each month was nearly £1,200 per month.

To this figure, £245 has to be added to cover the cost of loan 5. So MoneyBoat was putting Mrs M in a position where nearly £1,500 of her income each month was going towards only servicing loans. In my view, this was too much of her income going towards repaying loans when she already had other living costs and other creditors to repay.

And on top of this, she also had other credit payments including multiple 'buy now pay later' products and other commitments to catalogue shopping accounts as well as other direct debit commitments. In addition, there was also household costs. In these circumstances, I think MoneyBoat ought to have realised it was unlikely Mrs M would've been able to sustainably repay this loan.

Given what I've seen in the bank statements, I am intending to uphold Mrs M's complaint about loan 5 only.

Other considerations

As part of her complaint to the Financial Ombudsman she made a number of other points including, the cost of the loan wasn't clear, and she wasn't sure how a CPA worked.

I've thought about these additional complaint comments, but I'm not persuaded that MoneyBoat made an error with the information it provided prior to the loans being granted. I have copies of the credit agreements for all of the loans and each one sets out how much Mrs M needed to repay (and how many repayments she had) and how much the loan will cost. The rate of interest is also listed, so I'm satisfied MoneyBoat provided sufficient information to Mrs M about the cost of the loan.

In addition, the credit agreement sets out how the payments will be taken and by what method. I've not seen anything to suggest that Mrs M raised any concerns about the repayment method when she applied for each loan.

So, I'm not upholding Mrs M's complaint about the additional concerns she has raised.

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.

Mrs C has accepted the findings I made in the provisional decision and MoneyBoat said it had nothing further to add. I therefore, see no reason to depart from the findings that I previously made and which are set out above. I still don't think MoneyBoat should've granted loan 5 to Mrs C and I've set out below what it needs to do in order to put things right for her.

Finally, 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 above

results in fair compensation for Mrs M 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 stopped lending to Mrs M 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 Mrs 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 Mrs 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 Mrs 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 given Mrs M loan 5.

- A. MoneyBoat should add together the total of the repayments made by Mrs M towards interest, fees and charges on loan 5.
- B. MoneyBoat should calculate 8% simple interest* on the individual payments made by Mrs M which were considered as part of "A", calculated from the date Mrs M originally made the payments, to the date the complaint is settled.
- C. MoneyBoat should pay Mrs M the total of "A" plus "B".
- D. MoneyBoat should remove any adverse information recorded on Mrs M's credit file in relation to loan 5.

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

My final decision

For the reasons I've explained above and in the provisional decision, I'm upholding Mrs M's complaint in part.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 13 September 2024.

Robert Walker

Ombudsman