

The complaint

Mr F complains through a representative 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 F’s borrowing can be found below.

loan number	loan amount	agreement date	repayment date	number of monthly instalments	instalment amount
1	£200.00	24/10/2019	31/01/2020	4	£68.38
2	£200.00	05/02/2020	30/06/2020	5	£66.12
3	£200.00	06/08/2020	03/11/2020	4	£76.04
4	£200.00	31/01/2021	30/04/2021	3	£95.18
5	£450.00	12/05/2021	31/08/2021	4	£165.03
6	£200.00	04/09/2021	31/12/2021	4	£77.04
7	£200.00	10/01/2022	28/02/2022	2	£124.94
8	£200.00	31/03/2022	31/05/2022	2	£132.42
9	£200.00	10/06/2022	31/08/2022	3	£90.96
10	£300.00	09/09/2022	31/12/2022	4	£112.38
11	£350.00	03/01/2023	31/03/2023	4	£135.14
12	£700.00	01/04/2023	16/06/2023	6	£215.32
13	£300.00	16/06/2023	31/07/2023	4	£107.71

MoneyBoat, considered Mr F’s complaint and didn’t uphold it because it thought the checks it carried out showed the loans to be affordable and the repayments were sustainable. Unhappy with this response, Mr F’s representative referred the complaint to the Financial Ombudsman.

The complaint was considered by an Investigator, who didn’t uphold it about loans 1 - 4. However, they thought loans 5 to 13 shouldn’t have been granted as the lending was now harmful for Mr F.

Mr F’s representative agreed with the outcome. Whereas MoneyBoat didn’t fully agree with the Investigator’s assessment saying.

- There wasn’t anything within the first five loan applications that suggested Mr F was in financial difficulties indeed his overall debt decreased based on the checks it conducted.
- There was no indication Mr F was reliant on these loans or of repeat borrowing.
- MoneyBoat accepted it ought to have done more when loan 9 was granted and so it made an offer to uphold this and all remaining loans.

The offer was put to Mr F and it wasn't accepted and as there was no agreement 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 Mr F 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 F'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 F. These factors include:

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

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

Loans 1 – 4

The Investigator didn't uphold Mr F's complaint about these loans. In response to the assessment Mr F's representative 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 or made a finding about them. But I have kept them in mind when thinking about the overall lending relationship.

Loans 5 to 13

By loan 5, Mr F had a borrowing relationship with MoneyBoat for around 19 months and I think it's clear by this point that the check's weren't proportionate.

Mr F's income had fluctuated through the lending relationship but was broadly between £2,100 and £2,300 per month and Mr F declared outgoings had also remained broadly similar as well. But given that Mr F when returning for loan 5 he had now taken the largest capital loan, I do think the increase in borrowing along with the time in debt at the very least ought to have prompted some further checks.

In addition, for loan 5 MoneyBoat was aware that its credit commitments were greater than he declared as the credit file showed these came to around £460 per month whereas Mr F had declared these costs were around £150. MoneyBoat was also told he was in arrears with his mortgage and the account was subject to a repayment plan.

While I accept that MoneyBoat may have been confident that Mr F would be able to afford the loans, based solely on what its checks had shown. I don't agree with this and have some reservations, as the credit check results indicated that Mr F may have been having financial difficulties – or if not that he had some problems making his contractual repayments towards his mortgage. Which I do consider to be serious given the consequences on not maintaining payments on a priority debt.

In addition to my concerns about what MoneyBoat knew about Mr F's financial situation – I've also looked at the overall pattern of MoneyBoat's lending history with Mr F, 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 particular circumstances of Mr F'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 F was not managing to repay his loans sustainably and to have realised it was more likely than not Mr F was having to borrow further to cover a long-term shortfall in his living costs.

- At this point MoneyBoat ought to have realised Mr F was not managing to repay the loans sustainably. Mr F had been indebted to Jones for nearly 19 months. So, MoneyBoat ought to have realised it was more likely than not Mrs J was having to borrow further to cover the hole making her previous loan repayments was leaving in his finances and that Mrs J's indebtedness was now unsustainable.
- From the first loan, apart from one break of around two months there wasn't any other significant breaks in the borrowing relationship between Mr F and MoneyBoat – the largest of these other breaks being around six weeks. To me, the apparent need for credit is a sign that Mr F was using these loans to fill a long-term gap in his income rather than as a short-term need.
- Mr F's first loan was for £200 and loan 5 was now the largest loan they had taken at £450. At this point MoneyBoat ought to have known that Mr F was not likely borrowing to meet a temporary shortfall in his income but to meet an ongoing need.
- Mr F wasn't making any real inroads to the amount he owed MoneyBoat. Loan 13 was taken out 44 months after Mr F's first loan and it was for a larger sum and therefore had a larger monthly repayment. In effect Mr F had paid large amounts of interest to, service a debt to MoneyBoat over an extended period.

I think that Mr F lost out when MoneyBoat provided loans 5 to 13 because:

- the loans had the effect of unfairly prolonging Mr F's indebtedness by allowing him to take expensive credit intended for short-term use over an extended period of time and

- the number of loans and the length of time over which Mr F borrowed was likely to have had negative implications on Mr F's ability to access mainstream credit and so kept him in the market for these high-cost loans.

Overall, I'm upholding Mr F's complaint about loans 5 to 13 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 F in the circumstances of his complaint. I'm therefore 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 F 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 F 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 F 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 F 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 F loans 5 to 13.

- A. MoneyBoat should add together the total of the repayments made by Mr F towards interest, fees and charges on these loans, including payments made to a third party where applicable, but not including anything you have already refunded.
- B. It should calculate 8% simple interest* on the individual payments made by Mr F which were considered as part of "A", calculated from the date Mr F originally made the payments, to the date the complaint is settled
- C. MoneyBoat should pay Mr F the total of "A" plus "B".
- D. The overall pattern of Mr F's borrowing for loans 5 to 13 means any information recorded about them is adverse, so MoneyBoat should remove these loans entirely from Mr F's credit file.

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

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 18 October 2024.

Robert Walker
Ombudsman