

The complaint

Mr H complains that Evergreen Finance London Limited trading as MoneyBoat.co.uk ("MoneyBoat") provided him with a loan without properly checking his finances. Had it made better checks it would've seen he had a poor credit score.

What happened

Mr H was granted a £800 loan on 7 August 2023, and he was due to make five monthly repayments of £238.55 followed by a final payment of £238.38. Mr H settled the loan on 15 January 2024.

MoneyBoat considered the complaint and concluded it had made a reasonable decision to lend because it had carried out proportionate checks which demonstrated Mr H could afford his repayments. Unhappy with this response, Mr H referred the complaint to the Financial Ombudsman.

The complaint was considered by an investigator, who said MoneyBoat ought to not have provided the loan because the credit check results it received indicated that Mr H was already experiencing financial difficulties as there was a delinquent account that was about to be defaulted.

MoneyBoat didn't agree with the assessment. It said while there was a delinquent account in the credit search results, Mr H appeared to have sufficient disposable income to afford the repayments. There also wasn't anything else to suggest that Mr H was reliant on this type of lending. However, MoneyBoat accepted that given the proximity of the adverse information that it ought to have asked for some further information from Mr H.

The investigator thought about MoneyBoat's points, but he still thought the complaint should be upheld. He said had MoneyBoat looked at Mr H's bank statements it would've seen he was overdrawn and was already indebted to eight other lenders. As no agreement could be reached the complaint has been passed to me.

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 H could afford to pay back the amount 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 H'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 H. These factors include:

- Mr H 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 H 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 H 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 H. The investigator didn't consider this applied to Mr H's complaint as there was only one loan and I would agree.

MoneyBoat was required to establish whether Mr H could sustainably repay the loan – 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 H was able to repay his 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 Mr H's complaint.

Before this loan was approved, MoneyBoat asked for details of Mr H's income, expenditure and carried out a credit search. The results of these checks indicated to MoneyBoat that the loan repayments were affordable.

Mr H declared a monthly income of £6,000 and he declared monthly outgoings of £2,162. MoneyBoat used a tool provided by a credit reference agency to cross reference the income, and the results of the check indicated the declared figure was likely accurate. It also obtained a copy of Mr H's payslip which confirmed that the monthly income was broadly correct.

MoneyBoat also used information gathered from Mr H's credit report as well as considering his living costs against averages found in the "*Common Financial Statement*". Having carried out these further checks, it increased Mr H's monthly outgoings by a further £1,873 per month. But even with the increased outgoings, MoneyBoat reasonably believed he had around £1,962 per month in disposable income and so the loan would've appeared affordable.

MoneyBoat also carried out a credit search and I've considered the results it received, and I do have some concerns about what MoneyBoat saw. It knew that Mr H already had eight active loans costing him at least £1,799 per month – which is significantly more than the £400 Mr H declared his credit commitments were costing him each month as part of his application.

One of Mr H's loan accounts as recently as two months before the MoneyBoat loan was granted was in arrears and at the time he also had a delinquent credit card – which was over its limit. This card was now showing as four months in arrears and the months in arrears had increased in each of the last four months – indicating that Mr H wasn't making any payments towards the account.

So, like the investigator, I do think that Mr H's credit file was showing signs of him having immediate financial difficulties – a loan that had been in arrears but had been brought up to date and then a credit card where payments hadn't been made for a number of months. This does suggest ongoing financial difficulties, and this is reflected in the guidance which can be found in CONC 1.3.

These difficulties and arrears were close enough to the loan start that MoneyBoat ought to have reasonably concluded that Mr H appeared to be experiencing ongoing financial difficulties, given the accounts had again recently entered arrears. And so I think MoneyBoat needed to be alert to this and likely have concluded this loan ought to not have been granted.

The investigator concluded that MoneyBoat – having seen this adverse data ought to have not lent and I can foresee in some situations, it may be appropriate to have suggested that MoneyBoat conduct further checks – as it has suggested. And the investigator did review Mr H's bank statements to see what his financial position was.

For completeness, I've also reviewed Mr H's bank statements, but to be clear, I do think the credit search results were indicative enough of a consumer having financial difficulties. To check Mr H's financial position, MoneyBoat could've gone about doing this a number of ways and of course different checks will show different things. But as Mr H has provided a copy of his bank statements, I've considered these to see what MoneyBoat may have seen had it carried out further checks.

Had further checks been made then it would've discovered he had at least 11 payments each month to various loan companies – the majority of which were high-cost credit loans. These payments were costing nearly £2,175 per month. The sheer number of outstanding loans ought to have been an indication that Mr H was likely having problems managing his money and this is reflected in the credit file due to the missed payments and delinquent credit card account.

On top of this I can see transfers which appear to be to cover living costs as the mortgage and utilities aren't visible in the statements that I have seen – given the value of the transfers and the number of active loan accounts has led me to conclude that even if MoneyBoat had asked for Mr H's bank statements, it would've led it to the same outcome – that this loan wasn't sustainably affordable and indeed showed Mr H was having problems managing his existing creditors and his money. I am therefore upholding the complaint.

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 below results in fair compensation for Mr H 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 not lent to Mr H, 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 H 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 Mr H 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 H 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 Mr H.

- A. MoneyBoat should add together the total of the repayments made by Mr H towards interest, fees and charges on these loans, including payments made to a third party where applicable, but not including anything MoneyBoat have already refunded.
- B. MoneyBoat should calculate 8% simple interest* on the individual payments made by Mr H which were considered as part of "A", calculated from the date Mr H originally made the payments, to the date the complaint is settled.
- C. MoneyBoat should pay Mr H the total of "A" plus "B".
- D. MoneyBoat should remove any adverse information it has recorded on Mr H's credit file in relation to the loan.

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

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 1 November 2024.

Robert Walker
Ombudsman