

## The complaint

Mr R complains through a representative that Evergreen Finance London Limited trading as MoneyBoat.co.uk (“MoneyBoat”) provided him with loans which were unaffordable.

## What happened

Mr R was granted two loans and a summary of his borrowing can be found below.

loan number	loan amount	agreement date	repayment date	number of monthly instalments	largest repayment per loan
1	£500.00	16/12/2020	28/05/2021	6	£139.96
2	£250.00	25/06/2021	11/10/2021	6	£80.04

MoneyBoat considered the complaint and concluded it had made a reasonable decision to lend. Unhappy with this response, Mr R’s representative referred the complaint to the Financial Ombudsman.

The complaint was considered by an investigator, who said MoneyBoat ought to not have provided loan two because the credit check results it received indicated that Mr R was already experiencing financial difficulties.

MoneyBoat didn’t agree with the investigator’s findings saying the small amount of adverse payment information wasn’t enough for it to have declined the loan. However, MoneyBoat does accept that perhaps this ought to have prompted further checks before it agreed to lend.

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 R 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 R’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 R. These factors include:

- Mr R 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 R 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 R 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 R. The investigator didn't consider this applied to Mr R's complaint as there were only two loans and I would agree.

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

### **Loan 1**

The investigator didn't uphold this loan. I've also considered the income and expenditure information given to MoneyBoat by Mr R. Having looked at this and following MoneyBoat's adjustments it believed he had sufficient disposable income in which to afford the repayments.

I've also considered the credit check results, and there wasn't enough adverse information to have prompted further checks especially, when this was the first loan that had been granted. Therefore, like the investigator I've conclude a proportionate check was carried out which demonstrated to MoneyBoat that Mr R would, on balance, be able to afford the lending.

I am therefore not upholding Mr R's complaint about this loan.

### **Loan 2**

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

Mr R declared a monthly income of £2,100 and he declared monthly outgoings of £886. MoneyBoat used a tool provided by a credit reference agency to cross reference the income, and the results of that check indicated the declared figure was likely accurate.

MoneyBoat also used information gathered from Mr R'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 R's monthly outgoings by £10 per month. But even with the increased outgoings, MoneyBoat reasonably believed he had around £1,204 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 R's active credit

commitments were costing (just for loans) around £765 per month and with the other credit card and mail order accounts the monthly repayment was likely to be around £950 to £1,000 per month. Which was significantly more than Mr R declared and more than the adjustments that MoneyBoat made to his living costs.

And, as the investigator said, there was some recent adverse payment information which showed that Mr R was struggling to repay his outstanding commitments and I disagree with MoneyBoat's assessment that this was a "...*small amount*..." of adverse payment information.

Mr R had defaulted on a credit card balance of over £6,600 in February 2021 and since the default there didn't appear to have been any further payments to start reducing the balance. Which on its own, this may not be sufficient to have led MoneyBoat to have concluded the loan ought not to have been provided.

But following on from the defaulted credit card there was another credit card that was over £100 over the credit limit and was being recorded as being six months in arrears. This is the point where most lenders, may take the decision to default an account. Although, again, Mr R was subject to a payment arrangement on the account, the arrears had now reached the point where any further payment problems would lead to another credit card account defaulting – this one had a balance of over £3,100.

In addition to the default Mr R was at least two months in arrears on a mail order account which was also subject to a payment arrangement. There was then a further mail order account which was also subject to a payment arrangement.

In some situations, it may be appropriate to have suggested that MoneyBoat conduct further checks into Mr R's finances before it granted this loan. However, there were clear signs that Mr R was having difficulties managing a number of different accounts suggesting it wasn't just a one-off payment problem and indeed he was experienced ongoing financial problems.

These difficulties including the arrears, payment arrangements and default were close enough to the loan start that MoneyBoat ought to have reasonably concluded that as Mr R was struggling to repay outstanding balance than it wasn't sustainable to advance further funds to Mr R and so MoneyBoat ought to not have lent to Mr R.

Having thought about everything I am upholding Mr R's complaint about MoneyBoat's decision to provide this loan. I've set out what it needs to do at the end of the decision.

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 R 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 loan 2 to Mr R, 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 R 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 R 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 R 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 loan 2 to Mr R.

- A. MoneyBoat should add together the total of the repayments made by Mr R towards interest, fees and charges on the loan, 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 R which were considered as part of "A", calculated from the date Mr R originally made the payments, to the date the complaint is settled.
- C. MoneyBoat should pay Mr R the total of "A" plus "B".
- D. MoneyBoat should remove any adverse information MoneyBoat have recorded on Mr R's credit file in relation to loan 2.

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

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 14 November 2024.

Robert Walker  
**Ombudsman**