

The complaint

Mr M complains Evergreen Finance London Limited trading as MoneyBoat.co.uk ("MoneyBoat") irresponsibly lent to him when he couldn't afford to make the repayments.

What happened

Mr M was granted 10 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	£200.00	22/08/2021	27/10/2021	3	£82.77
2	£1,000.00	29/11/2021	07/01/2022	6	£311.77
3	£1,200.00	01/02/2022	08/03/2022	6	£365.16
4	£400.00	30/05/2022	30/11/2022	6	£124.75
5	£550.00	09/02/2023	28/04/2023	4	£203.19
6	£1,200.00	02/06/2023	09/06/2023	6	£361.23
7	£1,400.00	16/06/2023	21/06/2023	6	£387.28
8	£850.00	21/07/2023	31/07/2023	6	£228.02
9	£1,500.00	01/08/2023	26/01/2024	6	£454.13
10	£1,500.00	01/02/2024	outstanding	6	£452.85

MoneyBoat considered the complaint, and it partly upheld it and agreed to refund the fees and charges applied to loan 2, as well as adding 8% simple interest less any tax. MoneyBoat would then use the refund to reduce the outstanding balance on loan 10 – bringing this down to £417.33. It also said it would remove the loan entirely from Mr M's credit file. MoneyBoat didn't uphold Mr M's complaint any about any of the other loans.

Unhappy with this offer and response, Mr M referred the complaint to the Financial Ombudsman.

The complaint was considered by an investigator, who didn't uphold it about loan 1 as proportionate checks had been conducted and he said MoneyBoat should put things right as it has already agreed to do for loan 2. He then went on explain that from loan 3 he didn't think proportionate checks had been conducted for loans. Further checks would've shown Mr M couldn't afford them. From loan 6, the investigator concluded the lending was now harmful for Mr M and so the lending should've ceased at this point.

Mr M didn't have anything further to add but MoneyBoat didn't agree with the outcome reached by the investigator. In summary it said.

- There wasn't anything in the credit file information from loan 3 that indicated further checks were needed.
- There was a reduction in borrowing at loan 4, and so there was no reason to carry out further checks.
- There was a small gap where Mr M didn't borrow between loans 4 and 5.

- Loan 5 appeared affordable based on the information MoneyBoat gathered.
- Mr M taking 6 loans in two years isn't excessive and MoneyBoat asked Mr M where he was experiencing any financial difficulties, and none were disclosed.

After Mr M was told the complaint was going to be passed to an ombudsman, he provided further information about the impact these loans had on his and his family's life. Mr M says the high interest rate meant that he wasn't able to meet his priority bills. These loans have also had a detrimental impact on his credit file.

Overall, the comments didn't lead to the investigator changing his mind. As no agreement could be reached the complaint was passed to me. I then proceeded to issue a provisional decision explaining the reasons why I was intending to still uphold Mr M's complaint but for not as many loans.

Both parties were asked to provide any further submissions as soon as possible, but in any event, no later than 17 October 2024.

Mr M accepted the provisional findings and MoneyBoat said it didn't have anything further to add.

As both parties responded before the deadline, I see no reason to wait to progress the complaint. A copy of the provisional findings follows this in smaller font and forms part of this final decision.

What I said in the 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 Mr M 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 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 Mr M. These factors include:

- *Mr 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);*
- *Mr 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);*
- *Mr 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 Mr M. The investigator considered this applied in Mr M's complaint from loan 6.

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

Loan 1

The investigator didn't uphold Mr M's complaint about this loan and both Mr M and MoneyBoat appear to have accepted the findings that he reached. As such this loan is no longer in dispute and I make no further finding about it.

Loan 2

MoneyBoat, in the final response letter, accepted this loan ought to not have been provided. The proposed compensation is in line with what the Financial Ombudsman may award if it was decided this loan ought to not have been provided. As MoneyBoat has already upheld this loan I say no more about it, but I have included what MoneyBoat has already agreed to do in the redress section at the end of this decision.

Loan 3

Mr M was asked to declare his monthly income which he said was £3,278 per month. I can see that MoneyBoat used a tool provided by a credit reference agency which indicated the amount declared by Mr M was likely to be accurate. For a third loan it was reasonable for MoneyBoat to have relied on the results of this check.

MoneyBoat also made enquires with Mr M about his housing and monthly living costs which have been declared as being £1,920. MoneyBoat calculated at a minimum that Mr M had £1,358 in disposable income each month to afford his loan repayments.

MoneyBoat also carried out a credit search and it has now provided the full set of results it received from the credit reference agency – this information wasn't viewed by the investigator. So, I've considered these to see whether there was any indication that it either needed to decline Mr M's application or to have prompted it to carry out further checks.

It's reasonable to rely on the results MoneyBoat received because its information that I know that it saw when it was conducting the affordability assessment for Mr M. It is of course possible that Mr M's own credit report may show slightly different information but its reasonable in the circumstances to review the information MoneyBoat received.

The credit checks do, in my view raise concerns about Mr M's current financial position. For a start, as part of his application he only declared £200 of commitments towards cards and loans, but only considering the four loans he already had these were costing him £804 per month. On top of this he had a credit card, a mail order account and communication accounts. So MoneyBoat was already on notice that the figures it had used for the affordability assessment couldn't possibly be accurate.

MoneyBoat knew that Mr M had a delinquent mail order account – it had entered delinquency around 10 months before this loan but was still in arrears when this loan was granted.

He also was over his credit card limit and had missed the two previous months payments. Mr M was also in arrears by a month on three of his four outstanding loans – and these arrears had only occurred within a month or so of the loan start date.

So, the credit check results MoneyBoat received indicated that Mr M had started to have repayment problems fairly close to when the third loan was granted. In some situations, a missed payment on its own wouldn't be sufficient to uphold a complaint. But in a situation

where there are arrears across a number of different accounts and these arrears started within the two months preceding the loan this ought to have led MoneyBoat to question whether advancing Mr M further funds was the correct thing to do given his apparent financial difficulties and that he had missed two consecutive months payments for one of the loans and the credit card. CONC 1.3 says that is an indicator of financial difficulties. Given the clear signs of recent financial difficulties, I don't think this loan ought to have been granted.

I am therefore intending to uphold Mr M's complaint about this loan.

Loan 4

There was then an almost three months break between Mr M repaying loan 3 and returning for loan 4. And when he did come back for a new loan it was for significantly less than what he had previously borrowed.

The same checks were conducted, he declared the same sort of income that was checked with the credit reference agency, and he once again gave details of his monthly outgoings. This time, MoneyBoat calculated Mr M had disposable income of £1,429. The loan looked affordable, based on what I consider to be proportionate checks.

Credit checks were once again conducted, and the full results have been provided by MoneyBoat. This time, Mr M didn't have as many loan accounts – he only had one. He also had a recently opened hire purchase agreement costing just over £600 per month. But given the results of the credit search results I think it would've been fair for MoneyBoat to have concluded that whatever financial difficulties Mr M had previously encountered at the turn of the year had now passed. Mr M's financial situation appeared to have improved.

It was therefore reasonable for MoneyBoat to have provided this loan, it carried out a proportionate check and concluded that there was sufficient disposable income for Mr M to afford his repayments. I am therefore intending to not uphold Mr M's complaint about this loan.

Loans 5

Mr M returned around two months later for another loan that was marginally larger than loan 4. Again, MoneyBoat made enquiries about his income – which had now increased to £3,800 per month – this income amount was also cross referenced with the credit reference agency. MoneyBoat also calculated that Mr M had around £900 of disposable income after his living costs of £2,900 were taken into account.

I've looked at the credit check results MoneyBoat received, and it didn't show anything to suggest Mr M was either struggling with too much debt or was struggling to meet his repayments on his existing agreements.

There also hadn't been any new credit accounts opened within the last six months. And while his mail order and credit card were close to their credit limits that isn't a reason on its own to say that further checks were needed.

There wasn't anything solely, in the income and expenditure information that would've prompted any further checks to have been conducted and so proportionate checks were conducted which demonstrated the loan was affordable. I am therefore not upholding Mr M's complaint about this loan.

Loan 6

Mr M returned for a much larger loan here – more than twice the amount lent at loan 5. The same checks were carried out as with previous loans the income and expenditure information that MoneyBoat gathered suggested Mr M had £2,481 disposable income. For this loan, Mr M's income had significantly increased to £4,800 per month.

The credit checks didn't show any signs of being overindebted nor indeed any signs that Mr M was having financial difficulties. The balance on his credit card and mail order had been settled and he appeared to be managing his other commitments well. The amount Mr M declared for his credit commitments was broadly accurate which would've given MoneyBoat confidence that the affordability assessment was accurate.

The checks for this loan were just about proportion given that Mr M appeared to have had an increase in his monthly income and there were no signs of financial difficulties. I don't think it was wrong of MoneyBoat to have advanced this loan.

The investigator said at this point in time the lending had become harmful for Mr M. But taking account of the small gaps between loans and that this was the first one where there had been a significant increase in the borrowing in over a year has led me to conclude that at this point in time, the lending wouldn't have been obviously harmful or that Mr M was reliant on the loans from MoneyBoat.

Loans 7 and 8

Loan 7 was the second time Mr M had approached MoneyBoat in June 2023 for a loan and it was his largest loan to date. MoneyBoat conducted the same checks, which indicated disposable monthly income of £2,598. The loan appeared affordable to MoneyBoat.

In relation to loan 8, MoneyBoat's affordability checks also showed the loan to be affordable and at this point, Mr M declared an increased income of £6,400 which MoneyBoat says it checked through the credit reference agency.

For loan 7, the credit check results were similar to those MoneyBoat received for loan 6, which isn't surprising considering the loan was only taken two weeks later. And loan 8's credit search results also didn't show any new adverse payment information but did show a new bank loan.

But, Mr M had now been using MoneyBoat loans off and on for at least 20 months and while the checks MoneyBoat had conducted showed the loans to be affordable, I don't think by loan 7 that it was reasonable of MoneyBoat to have continued to rely on the information Mr M was providing about his living costs. This is especially as these loans were intended for short term use and now Mr M's lending relationship was stretching up to nearly two years.

So before lending loan 7, and any further loans I do think MoneyBoat needed to have conducted further checks into Mr M's financial situation to ensure that he wasn't having any financial difficulties and to show that the loan remained affordable.

Mr M has provided copy bank statements from the months before these loans were granted which is one-way MoneyBoat could've gone about checking his financial situation. Of course, there are other ways MoneyBoat could've gone about carrying out further checks, but as I've concluded proportionate checks weren't conducted, I've gone on to consider what a proportionate check may have shown MoneyBoat.

A review of the bank statements where Mr M received his income would've shown that the income MoneyBoat used for its affordability assessment was broadly accurate.

However, it also shows that the amounts declared by Mr M for his living costs wasn't accurate. I can see monthly payments to another account – shortly after Mr M is paid and so given the lack of other bills in his personal account its more likely than not a payment to cover his share of the household bills. These transfers were around £4,500 per month.

On top of that Mr M had other costs that can be seen in the statements including for other loans, credit card, buy now pay later, a utility and a catalogue shopping account. These costs come to at least £1,500 per month. The costs to these bills and living costs is around £6,000 per month. Of course, on top of this there are other costs that I can see in the

statements that I've not accounted for such as petrol and food costs.

Finally, Mr M was significantly overdrawn for almost the entire month, the account just goes into credit when Mr M was paid, but then immediately goes overdrawn when he moves money into what is likely the bills account. And towards the end of the pay cycle, it does seem Mr M is moving money into his account in order to prevent the account going above its overdraft limit.

So, had further checks been conducted, I think it's likely that MoneyBoat would've discovered that Mr M wasn't in a position to take on loan 7 or any other loans because he didn't have enough disposable income to afford his repayments when taking into account the other monthly costs he had.

I am intending to uphold Mr M's complaint about these loans.

Loans 9 to 10

In addition to my concerns about what MoneyBoat knew about Mr M's financial situation – I've also looked at the overall pattern of MoneyBoat's lending history with Mr M, 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 M's case, I think that this point was reached by loan 9. I say this because by this point MoneyBoat ought to have realised Mr M was not managing to repay his loans sustainably and to have realised it was more likely than not Mr M was having to borrow further to cover a long-term shortfall in his living costs. This is because:

- Mr M had been indebted to MoneyBoat for nearly 24 months. So, MoneyBoat ought to have realised it was more likely than not Mr M was having to borrow further to cover the hole making his previous loan repayments was leaving in his finances and that Mr M's indebtedness was now unsustainable.*
- From the first loan, there wasn't any other significant breaks in the borrowing relationship between Mr M and MoneyBoat. Indeed, loan 9 was taken the day after loan 8 had been repaid. To me, the apparent constant need for credit is a sign that Mr M was using these loans to fill a long-term gap in his income rather than as a short-term need.*
- Mr M's first loan was for £200 and loan 10 was now the largest loan they had taken at £1,500. At this point MoneyBoat ought to have known that Mr M was not likely borrowing to meet a temporary shortfall in his income but to meet an ongoing need.*
- Mr M wasn't making any real inroads to the amount he owed MoneyBoat. Loan 10 was taken out 30 months after Mr M's first loan and it was for a larger sum and therefore had a larger monthly repayment. In effect Mr M had paid large amounts of interest to, service a debt to MoneyBoat over an extended period.*

I think that Mr M lost out when MoneyBoat provided loans 9 and 10 because:

- the loans had the effect of unfairly prolonging Mr M'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 M borrowed was likely to have had negative implications on Mr M's ability to access mainstream credit and so kept him in the market for these high-cost loans.*

Overall, I'm upholding Mr M's complaint about loans 2 and 3 and loans 7 to 10 and I've outlined below what MoneyBoat needs to do in order to put things right.

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.

As Mr M has accepted the findings that I outlined in the provisional decision and MoneyBoat didn't have anything further to add. Then I see no reason to depart from the findings that I reached in the provisional decision, and which are outlined above.

I still don't think MoneyBoat ought to have granted loans 2 and 3 and then loans 7 to 10 to Mr M and I've outlined below what MoneyBoat needs to do in order to put things right for him.

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 M 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 not lent loans 2, 3 and loans 7 to 10. Clearly there are a great many possible, and all hypothetical, answers to that question.

For example, having been declined this lending Mr 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 Mr 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 Mr 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 Mr M loans 2, 3 and loans 7 to 10.

If MoneyBoat has sold the outstanding debt it should buy it back if it is able to do so and then take the following steps. If MoneyBoat can't buy the debt back then MoneyBoat should liaise with the new debt owner to achieve the results outlined below.

- A. MoneyBoat should add together the total of the repayments made by Mr M towards interest, fees and charges on all upheld loans without an outstanding balance, not including anything MoneyBoat has already refunded.
- B. MoneyBoat should calculate 8% simple interest* on the individual payments made by Mr M which were considered as part of "A", calculated from the date Mr M originally made the payments, to the date the complaint is settled.
- C. MoneyBoat should remove all interest, fees and charges from the balance on loan 10, and treat any repayments made by Mr M as though they had been repayments of

the principal. If this results in Mr M having made overpayments then MoneyBoat should refund these overpayments with 8% simple interest* calculated on the overpayments, from the date the overpayments would have arisen, to the date the complaint is settled. MoneyBoat should then refund the amounts calculated in “A” and “B” and move to step “E”.

- D. If there is still an outstanding balance, then the amounts calculated in “A” and “B” should be used to repay any balance remaining on loan 10. If this results in a surplus, then the surplus should be paid to Mr M. However, if there is still an outstanding balance then MoneyBoat should try to agree an affordable repayment plan with Mr M.
- E. MoneyBoat should remove any adverse information recorded on Mr M’s credit file in relation to loans 3, 7 and 8. The overall pattern of Mr M’s borrowing for loans 9 and 10 means any information recorded about them is adverse, so MoneyBoat should remove these loans entirely from Mr M’s credit file. MoneyBoat does not have to remove loan 10 from Mr M’s credit file until it has been repaid, but MoneyBoat should still remove any adverse information recorded about these loans.
- F. As MoneyBoat set out in the final response letter it should also remove loan 2 from Mr M’s credit file.

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

My final decision

For the reasons outlined above and in the provisional decision I am upholding Mr M’s complaint in part.

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

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr M to accept or reject my decision before 8 November 2024.

Robert Walker
Ombudsman