DRN-5073148

The complaint

Mr P complains that Evergreen Finance London Limited, trading as MoneyBoat.co.uk (MoneyBoat) lent to him irresponsibly.

What happened

MoneyBoat lent several times to Mr P and here is a brief loan table.

Loan	Date Taken	Date Repaid	Instalments	Capital	Instalment figure
1	26/07/2019	19/08/2019	2	£200.00	£136.69
Gap in lending					
2	15/08/2021	01/10/2021	6	£250.00	£71.01
Gap in lending					
3	12/04/2022	29/04/2022	6	£200.00	£57.90
4	18/05/2022	30/06/2022	2	£200.00	£119.47
5	13/07/2022	20/09/2022	4	£250.00	£91.59
6	20/10/2022	30/11/2022	2	£200.00	£117.93
7	07/12/2022	31/01/2023	2	£200.00	£127.79
8	13/02/2023	31/03/2023	2	£200.00	£121.32
9	24/04/2023	30/06/2023	2	£200.00	£137.86
10	14/07/2023	31/08/2023	2	£200.00	£122.85
11	12/09/2023	31/10/2023	2	£200.00	£123.18
12	09/11/2023	22/11/2023	2	£200.00	£125.28
13	04/01/2024	29/02/2024	2	£200.00	£129.87

After Mr P had complained, MoneyBoat sent its final response letter (FRL) in April 2024. It gave explanations as to what it had done before each of the loans and did not uphold Mr P's complaint. Mr P referred it to the Financial Ombudsman Service and one of our investigators considered it all.

Our investigator's first opinion was that all of the loans ought not to have been approved by MoneyBoat. His second opinion was that loans 2 to 13 ought not to have been approved. MoneyBoat accepted part of the second view and said that it conceded on loans 8 to 13.

Mr P did not accept MoneyBoat's offer to resolve the complaint but he does accept the investigator's second view – loans 2 to 13 ought not to have been approved for him. Those loans still in contention – loans 2 to 7 – remain the part of the complaint which was unresolved and so it was passed to me to decide.

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 unaffordable/irresponsible lending - including all the relevant rules, guidance, and good industry practice - on our website.

MoneyBoat had to assess the lending to check if Mr P 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've considered several different things, such as how much was being lent, the size of the repayments, and Mr P's income and expenditure.

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 P. These factors include:

- 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);
- having a large number of loans and/or having these loans over a long period (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable);
- 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 P.

MoneyBoat was required to establish whether he 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 P 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 P's complaint. As MoneyBoat has been content to agree to uphold loans 8 to 13, and Mr P has been content with our investigator's view that the uphold should be for loans 2 to 13, then the disputed ones are loans 2 to 7 and its those I have reviewed.

MoneyBoat has given us a table which itemises the information Mr P had given to it for his income and his expenditure. Mr P had declared his income ranging from £1,275 earlier in the relationship ranging up to £1,344 for loan 7. MoneyBoat said that it verified the income using a credit reference agency (CRA) which is a widely used industry approach.

For each of loans 2 to 7 MoneyBoat's checks led it to increase the monthly expenditure figure significantly to £800 or £850 because of information it had obtained from its CRA searches. Still, it said that Mr P had enough left over each month to afford the instalments for the loans.

Part of the 'expenditure picture' was that Mr P had informed MoneyBoat that he had minimal housing costs as he lived at home with his parents.

When assessing each new loan application from Mr P, MoneyBoat has reviewed the repayment history and as Mr P nearly always paid early or on time then it considered this to be a good record. This is a valid element of any assessment by a lender with an existing relationship with an applicant. But it can be a superficial picture if the detail shows otherwise.

On the third loan application on 9 November 2023, MoneyBoat has demonstrated to us that it wrote to Mr P to check whether he was in financial difficulties and to ask for more information about what the loan was for. Mr P's answers were '*no'* about financial difficulties, that he was not using the loan funds for any priority bills and it was for a *'one off expense'*. It has told us that as it means to demonstrate that was a suitable additional check. But asking an applicant a question is not the only route, and not always the best approach, to do some checking on information.

I've reviewed all the information for each of the disputed loans.

Loan 2

There was a significant gap before Mr P applied for loan 2 on 15 August 2021. I consider it to have been reasonable for MoneyBoat to have approached this application as if Mr P was a new customer – the first loan in this new loan chain. So, it was entitled to rely on the information he gave to it. But MoneyBoat carried out its usual checks anyway.

And having checked some details – including income, outgoings, and the credit report – I can see from the credit report MoneyBoat obtained that Mr P's loan outstanding balance had increased from when he had taken loan 1, but his revolving credit debt had decreased a little.

The credit check showed that Mr P had one defaulted account which was an 'education account', which may mean it was course fees. This was with a debt collection agency and the original default date had been August 2015 with a default balance of £5,900. That had reduced to £5,750 so it looked as if Mr P was repaying it.

I am aware that MoneyBoat is used to lending to individuals with adverse entries and as this was a first loan in a new loan chain and for a modest sum, usually I'd consider that this one default was not enough to lead MoneyBoat either to decline the loan application or to carry out additional checks. However, MoneyBoat had more information on the credit file which indicated that Mr P also had:

- six credit cards one being slightly over the limit, but another one was in an arrangement to pay; and
- a loan costing him £95 each month
- a loan costing him £94 each month which was in an arrangement to pay and in arrears
- a loan costing him £140 each month which was in an arrangement to pay and in arrears.

Mr P's total revolving credit outstanding balance was £6,946 and at 3% minimum repayment that would be a cumulative total of minimum repayments for his six cards to be about £208 per month. But it was clear he was not actually able to afford a 3% minimum repayment sum, as two of his loans and one of his credit cards were already in arrangements or in arrears or both.

And so, I think it's fairly clear that if Mr P was not able to afford these existing repayments and was in arrears, I doubt he'd be able to afford the £71 each month for the second MoneyBoat loan.

So, additional checks would have been the proportionate response upon viewing Mr P's credit file with these multiple arrears and arrangements to pay and a debt collector involved with one defaulted loan.

A convenient method of checking on Mr P's financial situation, one of several available, was to have reviewed copies of Mr P's bank account statements which usually show a wider picture of his finances and how he was managing his money. So, I have done that for the period leading up to loan 2.

Mr P's income after tax credited the account at the end of the months and was consistently around £1,286. Mr P was always in his overdraft. Payments to his educational loans, the other high-cost loans, his credit cards and other expenses like phone, gym, DVLA and at petrol stations can be seen.

Mr P took another high-cost loan of £150 on 6 August 2021 which would not have registered with the credit search MoneyBoat had carried out but showed on the bank statements provided to us. Mr P was paying daily overdraft interest.

Overall, the combination of Mr P's bank statements and the credit file demonstrate to me that Mr P was overindebted and even though the £200 applied for with was not a large sum and the repayment terms were modest, still had MoneyBoat assessed the information it already knew fully and/or had known the full picture then I doubt it would have lent to him. The credit file it obtained presented worrying factors to it such that it ought to have made those extra checks. I uphold the complaint about loan 2.

Loan 3

There was a further gap after Mr P had repaid loan 2 early before he applied for loan 3 on 12 April 2022. So, I consider it reasonable for MoneyBoat to have treated this loan as if it was the first in a new loan chain.

Having checked Mr P's credit file, as well as the other matters MoneyBoat has explained it checked, I can see that Mr P's debt situation looked as if with the headline figures it had improved a little. His overall outstanding debt had decreased by several thousand pounds. But the detail revealed an increasingly deteriorating picture.

MoneyBoat had more information on the credit file which indicated that Mr P also had:

- six credit cards one of which was classified as 'delinquent' and three were in arrangements to pay; and
- a loan costing him £95 each month – the balance had reduced; and
- a loan costing him £94 each month which was in an arrangement to pay and had been in arrears – the balance had reduced; and
- a loan costing him £129 each month (formerly £140 each month) which was in an arrangement to pay but the balance had moved little (£160 reduction) since July 2021 which suggests that Mr P was not able to pay the £129 each month. This account likely was due to be defaulted; and
- the defaulted education loan recorded was the same one as before and that was with a debt collection agent.

So, I consider that additional checks ought to have been carried out and one way is to review Mr P's bank account statements leading up to 12 April 2022. This I have done.

As well as making the repayments I've outlined from his credit file, I can see that Mr P was permanently in his overdraft, he was paying overdraft interest, and he was regularly taking other small high-cost loans in February 2022 and March 2022. And examples of how the loans were essentially 'keeping him afloat' is this sequence: Mr P took a £50 loan from a high cost provider on 8 April 2022 and then used the same provider for a £125 loan a few days later on 12 April 2022 which was the same date that he took the MoneyBoat loan 3.

It's clear that Mr P was overindebted and so I uphold the complaint about loan 3.

Loan 4

I can see that the MoneyBoat records indicate that Mr P repaid loan 3 early but my review of Mr P's finances indicates that he was borrowing to repay other loans. And so, the usual positive nature of early repayments is negated by the reality – that he was in a downward spiral of constant borrowing.

I've reviewed the information MoneyBoat had obtained from Mr P and from its own searches for loan 4.

This was just a month after he took loan 3 and so the credit search report shows a very similar set of facts as the ones described above.

However, there is evidence of further deterioration: I can see that the credit card balances were coming down only by a few pounds, not by much and a credit card for which he had an arrangement to pay had not been paid for two months and so now was in arrears as well. Another card had been used and so the balance had increased and was over its limit. The educational loan which had defaulted and was still with the debt collection agency had not received any repayments since December 2021 and so was in arrears.

And I do not consider that I need to review more.

Mr P was not managing, was overindebted and MoneyBoat had that information within the credit file I have seen that it had obtained for loan 4. I uphold the complaint for loan 4.

In light of what I have seen for the earlier loans, I consider that MoneyBoat ought to have ceased lending to Mr P on affordability grounds and so for the same reasons given above I uphold the complaint about loans 5 to 7.

I endorse the outcome our investigator has come to for loans 8 to 13 and for the same reasons – repetitive lending. This outcome has been accepted by MoneyBoat and so I set out here the redress.

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 p at loan 2 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 P may have simply left matters there, not attempting to obtain the funds from elsewhere – particularly as a relationship existed between him and this particular MoneyBoat 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 MoneyBoat 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 MoneyBoat 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 MoneyBoat would have been able to lend to Mr P in a compliant way at this time.

Having thought about all these possibilities, I'm not persuaded it would be fair or reasonable to conclude that Mr P 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 P loans 2 - 13.

A) MoneyBoat should add together the total of the repayments made by Mr P towards interest, fees and charges on these loans, including payments made to a third party where applicable, but not including anything it has already refunded.

B) MoneyBoat should calculate 8% simple interest* on the individual payments made by Mr P which were considered as part of "A", calculated from the date Mr P originally made the payments, to the date the complaint is settled.

C) MoneyBoat should pay Mr P the total of "A" plus "B".

D) MoneyBoat should remove any adverse information MoneyBoat have recorded on Mr P's credit file in relation to loans 2 - 7.

The overall pattern of Mr P's borrowing for 8 - 13 means any information recorded about them is adverse, so MoneyBoat should remove these loans entirely from Mr P's credit file. If MoneyBoat has sold any of the loans MoneyBoat should ask the debt purchaser to do the same.

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

I've considered whether the relationship between Mr P and MoneyBoat might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed should be carried out for Mr P results in fair compensation for him 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.

My final decision

My final decision is that I uphold the complaint in part. I direct Evergreen Finance London Limited, trading as MoneyBoat.co.uk, does as I have set out int the 'putting things right' part of the decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 25 November 2024.

Rachael Williams
Ombudsman