

The complaint

Mr H complains that Evergreen Finance London Limited trading as MoneyBoat.co.uk was irresponsible in its lending to him.

What happened

Mr H was provided with a £800 fixed sum loan by MoneyBoat in April 2024. The loan term was six months and Mr H was required to make monthly repayments of around £242, with the total amount repayable being around £1,452.

Mr H said that adequate checks weren't carried out before the loan was provided and that had they been, the loan wouldn't have been approved. He said his credit file showed that he was repaying other loans at the time and had previously defaulted on accounts. He also said he had recently taken out a payday loan from another finance provider. Mr H said he didn't fully consider the implications of taking out this loan and the costs involved.

MoneyBoat issued a final response letter dated 1 August 2024. It said that before providing the loan it requested details of Mr H's income and expenditure and evaluated whether the repayments across the loan term were sufficiently less than his total estimated disposable income. It carried out a credit check which it said showed no defaults recorded in the previous three years and nothing to suggest Mr H was in financial difficulties or reliant on short term lending. Based on its checks, MoneyBoat believed the lending was responsible and so didn't uphold Mr H's complaint.

Mr H referred his complaint to this service.

Our investigator noted the checks that MoneyBoat carried out before providing the loan and thought these were proportionate. As the results of the checks suggested the loan to be affordable and the credit check results didn't show signs of recent financial difficulty, she didn't uphold this complaint.

Mr H didn't agree with our investigator's view. He said that although the defaults on his account were historic, they were still on his credit file and this along with his recent payday loan from another company should have raised concerns about lending to him. He explained that he was still repaying the historic defaults and that he suffered from mental health conditions that could result in impulsive behaviour, including taking out two payday loans in a short space of time. He said that his circumstances should have prompted MoneyBoat to ask further questions.

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.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

In this case, the loan was for £800 with a total amount repayable of around £1,452 and the loan term was six months. Before the loan was provided, MoneyBoat carried out a credit check and gathered information about Mr H's income and expenses. Mr H declared a monthly income of £2,000 which was verified with a credit reference agency and expenses of £822. Given the size of the loan, the repayments and the loan term compared to Mr H's declared income, I find that these checks were proportionate. However, just because I think reasonable checks were carried out it doesn't necessarily mean that I think the lending was responsible. To assess that, I have considered what information was available to MoneyBoat through its checks.

Having looked through Mr H's loan application I can see he was asked to provide details of his expenses and these were recorded as £250 for rent/mortgage, £422 for credit commitments, £50 for food, £75 for transport and £25 for other bills. MoneyBoat then added a further £28 to this figure which left Mr H with disposable income of £1,150. Based on this I think it reasonable that the loan was considered affordable.

Mr H has said that his credit file should have raised concerns that meant further questions were asked. I understand the point Mr H has made and I am sorry to hear of his mental health conditions and appreciate him explaining how these can impact on his behaviour. However, I have to assess what I think MoneyBoat should have been reasonably aware of given the results of the checks it carried out and whether these should have alerted it to any issues that needed to be explored further.

Mr H's credit check results showed that he had several defaults recorded in 2019. There were outstanding balances on the defaulted accounts and Mr H was making repayments towards these. I have factored this into the affordability assessment. However, as the defaults were recorded more than three years before this loan application, I do not find that this information alone meant that the lending shouldn't have been provided. Looking at how Mr H was managing his more recent credit commitments, this didn't raise concerns and so in this case I do not find that the credit check results raised issues that meant further questions should have been asked.

Mr H has said he took out another payday loan in the months leading up to his application. His credit report shows that he had made use of short term lending prior to this application and he had been settling his accounts. The credit check results showed he had taken out small short term loans in the months leading up to this application, but I do not find that these were such that they meant this loan shouldn't have been provided. I also do not find that there was a pattern of borrowing that meant further checks should have been carried out.

Taking all of the above into account, while I am sorry to hear of the strain this lending has put Mr H under, I do not find in this case I can say that the loan was unaffordable or that MoneyBoat shouldn't have provided the loan for any other reason.

I've also considered whether MoneyBoat acted unfairly or unreasonably in some other way given what Mr H has complained about, including whether its relationship with Mr H might have been unfair under Section 140A Consumer Credit Act 1974. However, for the reasons I've already given, I don't think MoneyBoat lent irresponsibly to Mr H or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 30 December 2024.

Jane Archer
Ombudsman