

The complaint

Mr M complains that Evergreen Finance London Limited trading as MoneyBoat.co.uk ("MoneyBoat") provided him with a loan he couldn't afford due to the number of loans he'd recently taken out.

What happened

Mr M was granted a £200 loan on 11 April 2024, and he was due to make two monthly repayments of £90.34 followed by a final payment of £90.27. An outstanding balance remains due.

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

The complaint was then considered by an investigator, who didn't uphold it. They said the checks were proportionate and showed MoneyBoat that Mr M would likely be able to afford the repayments.

Mr M didn't agree with the investigator's outcome because he says bank statements should always be checked before lending is advanced and MoneyBoat's own credit report showed Mr M had taken four loans within the preceding six months, which showed he was in financial difficulties.

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

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

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

Mr M declared a monthly income of £2,000 and he declared monthly outgoings of £750. It is my understanding that MoneyBoat usually used a tool provided by a credit reference agency to cross reference the income that has been declared. It isn't clear from the information that has been provided to me whether this did or didn't happen in this case. But for a modest first loan, it would've been reasonable to have either relied on the results of that check or to have taken what Mr M told it at face value without the need for further verification.

MoneyBoat also used information gathered from Mr M's credit report when assessing the expenditure he had declared. Having carried out this further check, MoneyBoat increased Mr M's monthly outgoings by £100 per month. But even with the increased outgoings, MoneyBoat reasonably believed he had around £1,150 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 don't think in this case, given what else MoneyBoat was told that it would've been overly concerned by what it saw. It knew that Mr M had around £16,000 of debt but that the majority of that was connected to a hire purchase (HP) agreement which was costing £237 per month and had been well maintained.

On top of the HP agreement there was an overdraft, a mobile phone account, a credit card that was well within its credit limit and had been well maintained. Mr M also had four active loan accounts – all of them had been opened since November 2023. The cost per month to service these accounts was £470. Again, these accounts had been well maintained with no missed payments recorded against them.

There isn't a set number of loans that a consumer can have outstanding before a lender or the Financial Ombudsman may step in and say that was too many. In this complaint, only one of the four loans had been recorded as an advance against income – a payday loan. So, I don't think, the number of loans active at this time would've been too much of a concern to MoneyBoat especially because even taking account of how much those other loans were costing Mr M each month. The MoneyBoat loan still this loan appeared affordable.

Mr M had declared to MoneyBoat that he had £400 per month in credit commitments but that wasn't correct and MoneyBoat was aware of that from the credit search results. Taking account of the loan payments of £470 added together with the HP of £237 and a minimum credit card payment of around £100 brings these payments to £807 per month. Even accounting for the adjustment MoneyBoat made that wouldn't be enough to cover all the commitments MoneyBoat knew about.

So, what MoneyBoat ought to have done was substituted the figure it found out from the credit reference agency into the affordability assessment. But even if MoneyBoat would've done that – the outcome would be the same – it would've thought that the loan was affordable for Mr M.

For the first loan, I think it was reasonable for MoneyBoat to have relied on the information Mr M provided to it and the results of its own checks– which showed he had sufficient disposable income to afford the repayments. This means I don't think MoneyBoat needed to have asked to review Mr M's bank statements. There is no requirement to review bank statements each time before a loan is advanced – it has to be proportionate to the circumstances. In my view, asking for bank statements in the circumstance of Mr M's complaint would be disproportionate.

There also wasn't anything to suggest that Mr M was having either current financial difficulties or to indicate these loan repayments would be unsustainable for him and so I do not uphold Mr M's complaint.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think MoneyBoat lent irresponsibly to Mr M 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.

An outstanding balance remains due and I would remind MoneyBoat of its regulatory obligation to treat Mr M fairly and with forbearance.

My final decision

For the reasons I've explained above, I'm not upholding Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 2 January 2025.

Robert Walker
Ombudsman