DRN-5237436

The complaint

Mr M complains that Evergreen Finance London Limited trading as MoneyBoat.co.uk ("MoneyBoat") provided him with loans without carrying out sufficient affordability checks.

What happened

A summary of Mr M's borrowing can be found below.

loan number	loan amount	agreement date	repayment date	number of monthly instalments	largest repayment per loan
1	£400.00	04/11/2019	24/01/2020	3	£182.48
2	£200.00	21/02/2020	23/04/2020	2	£134.80
3	£250.00	08/05/2020	21/05/2020	2	£151.85
4	£400.00	26/06/2020	24/08/2020	4	£156.87
5	£600.00	06/11/2020	02/12/2020	4	£221.55
6	£500.00	27/12/2020	05/03/2021	4	£195.30
7	£200.00	19/03/2021	22/04/2021	2	£113.80

MoneyBoat considered Mr M's complaint and it upheld it about loan 2 only. MoneyBoat made an offer to settle the complaint, but this wasn't accepted by Mr M. Instead, he referred the complaint to the Financial Ombudsman.

The complaint was considered by an Investigator, who concluded that in addition to loan 2 MoneyBoat ought to not have also granted loans 6 and 7 because the pattern of lending was now harmful for Mr M.

MoneyBoat didn't agree with the Investigator's assessment saying Mr M had sufficient disposable income to afford these loans. MoneyBoat also said that Mr M's loan reduced towards the end of his borrowing, with the final loan being for £200, which suggests that Mr M was managing his debts down.

Mr M initially raised some concerns about the outcome reached for loans 4 and 5 but the investigator provided a further explanation about why he couldn't uphold those loans. Mr M doesn't appear to have disagreed with this. As no agreement could be reached the case has been passed for a decision.

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 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 considered 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 thought this had been reached in Mr M's complaint by loan 6 and I've explained below why I agree with this.

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 and loans 3 – 5

The investigator didn't uphold Mr M's complaint about these loans. In response to the assessment Mr M and MoneyBoat appear to have accepted what the investigator said, so this would include not upholding these loans. Therefore, as these loans appear to no longer be in dispute, I haven't considered them further. But I have kept them in mind when thinking about the overall lending relationship.

Loan 2

MoneyBoat, in the final response letter and follow up email to the Financial Ombudsman accepted this loan ought not to have been granted because it wasn't affordable for Mr M. As MoneyBoat has concluded this, I see no reason to make a finding about this loan because it is no longer in dispute. But I have included what MoneyBoat needs to do to put things right for Mr M in the redress at the end of this decision – in line with what it had agreed to do.

Loans 6 and 7

By loan 6, Mr M had been borrowing for about a year and I think its clear checks by this point weren't proportionate, taking account of the number of loans and the value of Mr M's monthly repayments.

MoneyBoat was having to make significant adjustments to his expenditure. Indeed, by loan 6, Mr M declared he only had £100 worth of credit commitments each month, and

MoneyBoat knew this to be inaccurate given the results of the credit search which indicated these costs were around £500 per month.

In addition to the credit commitments, MoneyBoat was also on notice that Mr M was having some difficulties, as he had a payday loan and a credit card which were subject to a payment arrangement – which would call into question the amount of disposable income MoneyBoat believed Mr M had.

While I accept that MoneyBoat may have been confident that Mr M would be able to afford the loans, based solely on its checks, I do have some reservations that by this point the checks didn't go far enough – given the number of loans taken, the time in which Mr M had been indebted to MoneyBoat, my concerns about what Mr M was declaring to MoneyBoat and the results of its credit checks.

However, notwithstanding the concerns I've outlined above. 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.

At this point MoneyBoat ought to have realised Mr M was not managing to repay his loans sustainably. Mr M had taking out 6 loans in about a year. So MoneyBoat ought to have realised it was more likely than not Mr M was having to borrow further to cover a long-term short fall in his living costs.

Given the particular circumstances of Mr M's case, I think that this point was reached by loan 6. I say this because

- In the 16 months Mr M borrowed there was only a small gap in lending of 3 month. 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 £250 and loan 7 was for a similar amount - £200. By the time these loans were granted, 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.
- Loan 7 was taken out 16 months after Mr M's first loan and was to be repaid over a similar term. The final loan was also a similar amount as the first loan so 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 6 and 7 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
- 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 6 and 7 and I've outlined below what MoneyBoat needs to do in order to put things right including the compensation for loan 2.

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 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 stopped lending to Mr M at loan 6, 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 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 loan 2 and loans 6 and 7.

A. MoneyBoat should add together the total of the repayments made by Mr M towards interest, fees and charges on these loans, including payments made to a third party where applicable, but not including anything you have already refunded.
B. It 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 pay Mr M the total of "A" plus "B".
D. In line with MoneyBoat's offer it should remove loan 2 from Mr M's credit file. The overall pattern of Mr M's borrowing for loans 6 and 7 means any information recorded about them is adverse, so MoneyBoat should remove these loans entirely 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 I've explained above, I'm 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 20 March 2025.

Robert Walker
Ombudsman