DRN-5325220

The complaint

Mr C complains Evergreen Finance London Limited trading as Moneyboat.co.uk ('Moneyboat') irresponsibly lent to him.

What happened

Moneyboat provided Mr C with six loans between June 2021 and March 2024 as follows:

Loan Number	Date of Loan	Loan Amount	Instalment Amount	Loan Duration (Days)
1	04/06/2021	£200	£124.51	49
2	27/07/2021	£200	£131.31	59
3	29/09/2021	£200	£128.12	56
4	12/03/2022	£200	£118.39	41
Significant gap in lending				
5	11/03/2024	£200	£118.86	4
6	28/03/2024	£250	£162.76	8

In May 2024 Mr C – via a professional representative (PR) – complained to Moneyboat about its decision to lend to him.

In June 2024 Moneyboat issued a final response in which it did not uphold Mr C's complaint. Unhappy with this response, PR on behalf of Mr C referred the complaint to our service in September 2024.

One of our investigators reviewed Mr C's complaint. But they didn't think Moneyboat had treated Mr C unfairly, and so they didn't recommend that the complaint be upheld.

Mr C didn't agree with the investigator's findings and so the complaint was passed to me to review afresh.

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.

The Financial Ombudsman Service has set out its general approach to complaints about irresponsible and unaffordable lending on its website. And, having taken this into account along with everything else I need to consider, I don't think it would be fair or reasonable to uphold this complaint. I recognise this will be disappointing for Mr C. I hope my explanation helps him to understand why I've come to this conclusion.

Moneyboat needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mr C could repay the loan repayments when they fell due and without the need to borrow further.

These checks weren't prescriptive, but could take into account a number of different things such as how much was being lent, the repayment amounts and the consumer's income and expenditure.

So, in keeping with the information on the Financial Ombudsman Service's website, I think there are a number of overarching questions I need to consider when deciding a fair and reasonable outcome given the circumstances of this complaint:

1. Did Moneyboat carry out reasonable and proportionate checks to satisfy itself that Mr C was likely to have been able to repay the borrowing in a sustainable way?

    i. If Moneyboat carried out such checks, did it lend to Mr C responsibly using the information it had?

    Or

    ii. If Moneyboat didn't carry out such checks, would appropriate checks have demonstrated that Mr C was unlikely to have been able to repay the borrowing in a sustainable way?

2. If relevant, did Mr C lose out as a result of Moneyboat's decision to lend to him?

3. Did Moneyboat act unfairly or unreasonably in some other way?

<u>Did Moneyboat carry out reasonable and proportionate checks?</u>

There are many factors that could be relevant when determining how detailed proportionate checks should have been. And while much will depend on the circumstances in question, the more obvious factors include – though aren't necessarily limited to:

    • The type of credit Mr C was applying for along with the size, length and cost of the borrowing; and

    • Mr C's financial circumstances – which included his financial history and outlook along with his situation as it was, including signs of vulnerability and/or financial difficulty.

And generally speaking, I think reasonable and proportionate checks ought to have been more thorough:

- The lower an applicant's income because it could be more difficult to make the repayments as a result;

- The higher the amount repayable because it could be more difficult to meet a higher repayment, especially from a lower level of income; and

- The longer the loan term, because the total cost of the credit was likely to have been greater given the longer time over which repayments have to be made.

As a result, the circumstances in which it was reasonable to conclude that a less detailed affordability assessment was proportionate strike me as being more likely to be limited to applicants whose financial situation was stable and whose borrowing was relatively insignificant and short-lived – especially in the early stages of a lending relationship.

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mr C's complaint.

Prior to agreeing to lend, Mr C was asked to provide details of his net monthly income, which he declared as being between £2,087 and £2,465. Moneyboat says the declared income figure was verified using a tool provided by a credit reference agency. It also obtained a copy of Mr C's most recent monthly payslip prior to each lending decision.

Mr C was also asked for details of his monthly expenditure, which included asking for how much he paid to rent, credit commitments, food, transport and other spending. Across all six loans, Mr C declared his monthly outgoings were between £660 and £1,312.

Moneyboat used information from Mr C's credit search to make upward adjustments to his declared outgoings for Loans 1, 2, 4, 5 and 6. No adjustment was made for Loan 3.

Based on the information Moneyboat obtained, it could see Mr C had sufficient disposable income to afford his repayments.

These weren't particularly large loans, and the monthly repayments were not substantial in relation to Mr Cs declared (and verified) income. And they were repayable over a reasonably short period of time.

Further, Loan 1 appears to have been Mr C's first loan with Moneyboat. As such, I don't think there was any established pattern in his borrowing needs, at least from Moneyboat, in the early stages of the lending relationship. And I think the length of time which elapsed between Loan 4 and Loan 5 (24 months) was such that there was a break in lending which reset the lending relationship. So, I do not consider that Moneyboat would have thought, or would be expected to think, that Mr C was reliant on these loans such that it needed to gather more information about his circumstances than it already had prior to making its lending decisions.

With all of this in mind, I think Moneyboat proceeded with a proportionate amount of information. However, as I've said before, once Moneyboat had the information it thought it needed, it then had to evaluate it because it still had to reasonably assess whether Mr C could afford to meet the loan repayments in a sustainable way over the term of the loan.

<u>Did Moneyboat lend to Mr C responsibly using the information it had?</u>

Using the information Moneyboat gathered about Mr C's income[1] against what it gathered about his existing credit commitments, as well as what Mr C declared about his expenditure, it looked like he had between £916 and £1,300 in disposable income per month for each loan. So, Moneyboat was satisfied that the loan repayments for these loans should've been affordable for Mr C on a simple pounds and pence basis.

On the face of it, it is difficult to reconcile such a significant amount of monthly disposable income - and loan applications for only between £200 to £250 – especially when it came at quite a high cost. However, I acknowledge that people make all sorts of decisions for all sorts of reasons. And it isn't for me to impose my own view on the merits of applying for loans like the ones in question only to then conclude that Moneyboat should have refused to lend on that basis alone.

As I've said, Moneyboat also carried out a credit check and it has provided the results. The results of the checks for Loans 1 – 4 are similar, which isn't surprising considering the

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[1] Moneyboat has provided our service with a copy of the payslips it obtained prior to agreeing to lend.

proximity of the loan applications. Likewise, the results of the checks for Loans 5-6 are also similar.

Across all the lending decisions, the credit reports provided no indication of any insolvencies or any other public records – such as County Court Judgments. The credit reports do indicate that Mr C had got two defaults within the last 36 months[2] but none within the previous 12 months save for a single default marker on the credit report obtained for Loan 2. This wasn't present on the credit report gathered for Loan 3 which was agreed only two months after Loan 2, which is difficult to explain. But, in isolation and bearing in mind everything else Moneyboat knew about Mr C's circumstances, I don't think this would have (or ought to have) prevented Moneyboat from agreeing to lend. And I think the older defaults were too far removed from the lending in question to have given Moneyboat cause for concern.

The results indicated that Mr C had total debt of around £14,500-£16,500 at the time Loans 1-4 were agreed. Of this, around £5,000 was because of a hire-purchase agreement. And the remainder of Mr C's total debt was mostly revolving credit of which he was using around 80% of his available limits.

Mr C's total indebtedness increased to around £21,000 by the time Loans 5-6 were agreed. This appears to be largely due a new hire-purchase agreement of around £9,000[3] which Mr C entered into shortly before Loan 5 was taken out. I also note that Mr C has considerably reduced his outstanding revolving credit balances, and his credit utilisation had reduced to around 8%, by this time.

I've thought carefully about all of this and, having done so, I don't think the results of the credit checks would have alerted Moneyboat to Mr C having financial concerns of a sufficiently serious degree to warrant further checks or refuse to lend, given what it knew about his income and based on what it understood about his expenditure. I say this bearing in mind the total Mr C needed to repay on his hire purchase agreement, plus his other credit commitments as well as the expenditure Mr C had declared, appeared to be affordable based on his verified income.

Further the loans in question were not large and they were repayable over short period of time, so I don't think Moneyboat had any good reason to think Mr C's financial situation was likely to change significantly during the loan term such that he would experience difficulty making the monthly repayments as they fell due.

I understand Mr C financial situation may have been worse than the information Moneyboat gathered at the time suggested. However, for the reasons I've explained, I think Moneyboat carried out proportionate checks and it relied, reasonably in my view, on the information it gathered. And given the size of Mr C's monthly repayments, I don't think it was unreasonable of Moneyboat to grant the loan in question with all of that being the case.

In summary, I think Moneyboat carried out reasonable and proportionate checks prior to agreeing to lend. And I don't think there was sufficient information within the checks Moneyboat carried out that suggested to it that Mr C would struggle to afford the monthly repayments over the term of the loan.

Did Moneyboat act unfairly or unreasonably in some other way?

I've also considered whether Moneyboat acted unfairly or unreasonably in some other way

[2] The default markers drop off the report by the time of Loan 4.
[3] The prior hire-purchase agreement having been settled.

given what Mr C has complained about, including whether their relationship with him might have been viewed as unfair by a court under s.140A Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think Moneyboat lent irresponsibly to Mr C or otherwise treated him unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

For the reasons I've outlined above, I'm not upholding Mr C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 3 June 2025.

Ross Phillips
Ombudsman