

The complaint

Mr G complains through a representative that Evergreen Finance London Limited trading as MoneyBoat.co.uk (“MoneyBoat”) failed to carry out reasonable and proportionate checks before it gave him these loans.

What happened

A summary of Mr G’s borrowing can be found in the table below.

loan number	loan amount	agreement date	repayment date	number of monthly instalments	highest repayment per loan
1	£500.00	21/12/2018	04/03/2019	3	£238.37
2	£500.00	05/06/2019	02/10/2019	4	£194.61
3	£200.00	12/11/2019	02/01/2020	2	£125.16
4	£200.00	10/01/2020	20/04/2020	4	£69.80
gap in lending					
5	£200.00	05/03/2021	18/06/2021	4	£71.92
6	£200.00	09/10/2021	20/01/2022	4	£70.31
7	£300.00	14/04/2022	07/06/2022	3	£124.76
8	£350.00	27/06/2022	14/09/2022	3	£162.43
9	£300.00	09/10/2022	24/10/2022	2	£176.44

MoneyBoat considered the complaint and concluded it had made a reasonable decision to provide these loans because it had carried out proportionate checks for the two lending chains.

The complaint was considered by an investigator. He said that there were two distinct periods of lending and within those periods there were also some smaller gaps. He thought proportionate checks would’ve shown that Mr G could afford his repayments for loans 1 – 8.

However, he thought, by loan 9, given that this was the fifth loan in this chain of lending, MoneyBoat ought to have done some further checks. But he couldn’t say what the result of these further checks may have shown. He therefore didn’t uphold Mr G’s complaint.

Mr G’s representative didn’t agree with the outcome the investigator reached. As no agreement could be reached the case was passed for a final 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 G 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 taken into account a number of different things, such as how much was being lent, the size of the repayments, and Mr G'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 G. These factors include:

- Mr G 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 G 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 G 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 G. But I don't consider this applies to Mr G's complaint given the value of the loans and that there were two lending chains with some other smaller gaps between loans.

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

Loans 1 - 4

Before these loans were approved, MoneyBoat asked Mr G for details of his income and this was declared as being between £2,800 and £3,030 per month. MoneyBoat also says the income figures were checked through a third-party report provided by a credit reference agency. The contact notes provided by MoneyBoat also suggest that wage slips were gathered for loan 1 – although a copy of these haven't been provided, I haven't seen anything to suggest the income noted by MoneyBoat was inaccurate.

Mr G also declared monthly outgoings of between £327 and £1,440 for these loans. Part of MoneyBoat's affordability process is reviewing the information given to it by Mr G as well as information from its credit search (which I'll come onto discuss below) and / or from the "*Common Finance Statement*" to possibly adjust the declared expenditure Mr G had provided.

In this case, MoneyBoat made adjustments to Mr G's monthly outgoings for loan one only – where it increased his outgoings by a further £473. This meant for loan one, for its affordability assessment MoneyBoat used a monthly outgoings figure of £800. Even with the increased expenditure, there was still sufficient disposable income for Mr G to afford his repayment.

Before each loan was approved MoneyBoat also carried out a credit search and it has provided the results it received from the credit reference agency for each loan. It is worth saying here that although MoneyBoat carried out credit searches, there isn't a regulatory requirement to do one, let alone one to a specific standard.

The credit check results for both loans were similar and as far as I can see there wasn't anything too concerning and so the results wouldn't have led MoneyBoat to carry out further affordability checks or to have declined his loans.

It knew that Mr G hadn't defaulted on any accounts, he didn't have any County Court Judgements, or any other type of insolvency recorded.

For some of the loans like loans three and four Mr G's declared monthly credit commitments were broadly accurate. For loans one and two he had underestimated his credit costs and MoneyBoat ought to have realised that from the information it was given by the credit reference agency. But even substituting the figures from the credit reference figures into the rest of Mr G's declared outgoings he still had sufficient disposable income in which to meet his repayments.

Overall, there was also nothing else in the information that I've seen that would've led MoneyBoat to believe that it needed to go further with its checks – such as verifying the information Mr G had provided or to have declined his applications.

In this first chain of borrowing as only four loans were granted, with some small gaps between them I think it was fair and reasonable for MoneyBoat to have believed, based on what I consider to be proportionate checks that Mr G would be in a position to repay these loans.

I'm therefore not upholding Mr G's complaint about the lending decisions for these loans.

Loans 5 – 9

There was a much larger break in borrowing of around 11 months between Mr G settling loan 4 and returning for loan 5. This break is larger enough for MoneyBoat to have in effect treated Mr G as a new customer, so even though loan 5 was the fifth loan it would've been reasonable for MoneyBoat to have treated this as loan 1 of a new chain.

I've also kept in mind when thinking about this chain of lending that there are some smaller breaks in borrowing as well, such as the four month gap between loans 5 and 6 and the three months between loans 6 and 7.

MoneyBoat carried out exactly the same sort of checks as it did for loans 1 – 4 were granted. Mr G declared income of between £3,010 and £3,200 per month. Again, MoneyBoat says these figures were checked with a credit reference agency.

His monthly living costs have been recorded as between £1,520 and £1,650 per month. MoneyBoat then considered the outgoings against the credit file and the common financial statement and having done so the only adjustment it made was for loan 9 where it increased Mr G's outgoings by £52 taking his monthly outgoings to £1,702.

As before, credit checks were conducted, and the same caveats apply to the results. Having reviewed the credit check results there was once again not quite enough for me to say that further checks needed to have been done. It knew that Mr G didn't have any defaults, insolvencies or any other obvious repayment problems.

MoneyBoat ought to have realised that once again the amounts he was declaring as part of his application for his credit commitments wasn't entirely accurate. For example, at loan five, Mr G declared his credit commitment costs were around £300 per month when in fact they were more likely around £700 per month. But even substituting the higher figure into Mr G's declared monthly outgoings the loans still looked affordable.

Overall, there was also nothing else in the information that I've seen that would've led MoneyBoat to believe that it needed to go further with its checks – such as verifying the information Mr G had provided for loans 5 to 8.

The investigator suggested that by loan 9, that perhaps that further checks ought to have been conducted. But he couldn't say that further checks would've altered MoneyBoat's decision to lend because he didn't know the actual position of Mr G's finances. I can understand why we concluded this, but this also has to be weighted up against that there were some smaller breaks. But whether further checks needed to have been carried out or not – as no new information has been provided, I can't reasonably say MoneyBoat made an error when it provided the final loan.

I'm therefore not upholding Mr G's complaint about the loans in the second chain of lending and therefore I am not upholding Mr G's complaint.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 9 April 2024.

Robert Walker
Ombudsman