DRN-4659085

## The complaint

Mr P complains through a representative that Evergreen Finance London Limited trading as MoneyBoat.co.uk ("MoneyBoat") gave him loans which were unaffordable.

## What happened

A summary of Mr P'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 | £600.00 | 17/01/2020 | 07/02/2020 | 4 | £246.97 |
| 2 | £500.00 | 14/02/2020 | 02/03/2020 | 4 | £208.09 |
| 3 | £350.00 | 07/07/2020 | 29/09/2020 | 4 | £128.43 |
| 4 | £400.00 | 13/10/2020 | 29/10/2020 | 4 | £140.82 |
| 5 | £1,500.00 | 02/11/2020 | 31/12/2020 | 6 | £443.94 |

MoneyBoat considered the complaint and concluded it had made a reasonable decision to provide these loans because it had carried out proportionate checks. Unhappy with this response, Mr P's representative referred the complaint to the Financial Ombudsman.

The complaint was considered by an investigator and in her latest assessment she partly upheld the complaint. She said for loans 1 and 2 MoneyBoat ought to have conducted further checks before they were approved, due to the number of recent defaults on Mr P's credit file. Had further checks been conducted MoneyBoat would've realised these loans weren't affordable.

In the investigator's view there was a break in borrowing between loans 2 and 3, and so she thought, having looked at the checks MoneyBoat made, it was reasonable of it to have granted loans 3 and 4.

Finally, for loan 5 given the number of loans Mr P had taken and that this was his largest loan to date the investigator once again thought further checks were needed. Had MoneyBoat carried out more in-depth checks it would've likely discovered Mr P couldn't afford to take on this loan either.

Mr P's representative let us know Mr P agreed with the investigator's assessment.

MoneyBoat partly agreed with the investigator's recommendation. It agreed to put things right, as the investigator had said for loans 1 and 2 only. For loan 5, MoneyBoat didn't feel there were enough concerns to have warranted further checks and so it didn't agree that this loan should be upheld.

As no agreement could be reached the case has been passed to an ombudsman 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 P 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 P'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 P. These factors include:

- Mr P 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 P 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 P 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 P. But I don't consider this applies to Mr P's complaint given the number of loans and the amounts borrowed.

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

**Loans 1 and 2**

MoneyBoat, has accepted, following the investigator's assessment that these loans ought to not have been granted. It therefore agrees something went wrong here. So, I don't think I need to make a finding about these loans. But for completeness, I've outlined at the end of this decision what MoneyBoat should do (and what it has agreed to do) in order to put things right for Mr P.

**Loans 3 and 4**

The investigator didn't uphold Mr P's complaint about these loans. In response to the assessment Mr P 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 also haven't considered these further.

**Loan 5**

This is the loan that MoneyBoat wanted reviewing following the investigator's assessment. The crux of the issue here is that MoneyBoat says there wasn't anything to have prompted it to conduct further checks.

Before the loan was approved, MoneyBoat asked Mr P for details of his income, which he declared as being £2,272 per month. MoneyBoat says the income figures were checked through a third-party report and it felt this income was accurate and this is what was used for the affordability assessment.

Mr P also declared monthly outgoings of £970. MoneyBoat's affordability process meant it used information from its credit search (which I'll come onto discuss below) and / or from the "*Common Finance Statement*" to adjust the declared expenditure Mr P had provided.

After carrying out this further check, it increased Mr P's expenditure by a further £378 per month. So, for the affordability assessment is used a monthly expenditure figure of £1,348. Even with the increased monthly expenditure figure, the loan would've appeared affordable.

Before the loan was approved MoneyBoat also carried out a credit search and it has provided the results it received from the credit reference agency. 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.

There were no new defaults or delinquency accounts that MoneyBoat wasn't already aware of when it approved previous loans. Mr P had two outstanding loans with another lender costing £400 per month to service and he also had credit card debt of just over £3,800. But Mr P appeared to be on top of his repayments.

But there were signs that perhaps there were some underlining difficulties. There had been a number of cash advances from the credit cards within the last few months and including his MoneyBoat loans he had also settled 6 loans within the last few months.

The investigator noted that this was Mr P's fifth loan from MoneyBoat within the same year, and it was clearly the largest capital loan to date with the largest monthly repayment which was significantly larger than anything else he had paid. Given not just the time in debt, but also the increase in borrowing I do agree with the investigator that this was now the time for further, more in depth checks.

MoneyBoat could've gone about verifying and checking Mr P's circumstances a number of ways. It could've asked for copy payslips, copies of bills, copy bank statements or any other documentation it wished to gather. But what it needed to do was ensure that it had a full and complete understanding of Mr P's financial position.

Mr P's representative has provided copy bank statements for the period of time when this loan was approved, so I think it's entirely fair and reasonable to review these to see what MoneyBoat may have discovered had it conducted further checks.

Had MoneyBoat made better checks it wouldn't have advanced the loan. The bank statements also show that in the week before this loan was approved Mr P had already borrowed £1,600 from two other high-cost creditors, on top of the other payday loans Mr P had outstanding which had already cost him over £700 in the month of October 2020 before any other costs were considered.

Mr P was also making payments to a number of different debt management companies, and these were costing nearly £200 per month and he also had his credit card payments as well as other living costs.

Overall, like the investigator, further checks would've shown that Mr P couldn't afford to take on this loan once his living costs and other creditors had been taken into account. I am therefore upholding Mr P's complaint about this loan.

I've outlined below what MoneyBoat needs to do to put things right for Mr P.

## Putting things right

In deciding what redress MoneyBoat should fairly pay in this case I've thought about what might have happened had it not lent loans 1, 2 and 5 to Mr P, 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 P 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 P 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 P 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 lent loans 1, 2 and 5 to Mr P.

A) MoneyBoat should add together the total of the repayments made by Mr P towards interest, fees and charges on these loans.
B) It should calculate 8% simple interest* on the individual payments made by Mr P which were considered as part of "A", calculated from the date Mr P originally made the payments, to the date the complaint is settled.
C) MoneyBoat should pay Mr P the total of "A" plus "B".
D) MoneyBoat should remove any adverse information MoneyBoat have recorded on Mr P's credit file in relation to loans 1, 2 and 5.

*HM Revenue & Customs requires MoneyBoat to deduct tax from this interest. MoneyBoat should give Mr P a certificate showing how much tax has been deducted, if he asks for one.

## My final decision

For the reasons given above, I am upholding Mr P's complaint in part.

Evergreen Finance London Limited trading as MoneyBoat.co.uk should put things right for Mr P as directed above.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr P to accept or reject my decision before 11 April 2024.

Robert Walker
**Ombudsman**