

## **The complaint**

Mrs B complains that Evergreen Finance London Limited trading as MoneyBoat.co.uk ("MoneyBoat") provided her with a loan she couldn't afford. Mrs B is also unhappy with the help and support MoneyBoat provided after she missed her contractual repayments.

## **What happened**

Mrs B was granted one loan by MoneyBoat of £800 on 9 March 2023. Mrs B was due to make six monthly repayments of £239.69. Mrs B had some difficulties repaying her loan, but it was settled on 25 September 2023.

MoneyBoat considered the complaint it received from Mrs B about the sale of the loan and concluded it had made a reasonable decision to lend because it had carried out proportionate checks.

It also didn't consider it had done anything wrong when it contacted Mrs B after she failed to make the payments – as set out in the credit agreement – it provided a summary of the communications between both parties.

Unhappy with this response, Mrs B referred the complaint to the Financial Ombudsman. The complaint was then considered by an investigator, who upheld Mrs B's complaint. He said, the credit search results MoneyBoat received as part of its affordability check showed that Mrs B had significant and sustained mortgage arrears. In those circumstances he thought she would be unlikely to be able to afford her repayments.

MoneyBoat didn't agree with the proposed outcome saying while it accepted there were arrears on the mortgage there were indications those arrears were reducing, and an arrangement had since been put in place. On top of this, there were no other indicators in the credit search results to indicate that Mrs B was having wider financial problems. As no agreement could be reached the case has been passed to me 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 Mrs B could afford to pay back the amount she'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 Mrs B'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 Mrs B. These factors include:

- Mrs B 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);
- Mrs B 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);
- Mrs B 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 Mrs B. The investigator didn't consider this applied to Mrs B's complaint and I would agree given only one loan was advanced.

MoneyBoat was required to establish whether Mrs B could *sustainably* repay the loan – not just whether she technically had enough money to make her repayments. Having enough money to make the repayments could of course be an indicator that Mrs B was able to repay her 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 Mrs B's complaint.

MoneyBoat asked Mrs B for details of her income, which she declared as being £3,600 per month. MoneyBoat says the declared income figure was verified using a credit reference agency. The final response letter also suggests that a copy of her payslip was obtained, but if MoneyBoat did do this, it hasn't sent a copy of what it saw. In any event, given this was a first loan I think the checks MoneyBoat conducted in relation to the income were reasonable.

As part of the applications, Mrs B was asked for details of her monthly expenditure, which included asking how much she paid to rent, credit commitments, food, transport and other spending. Mrs B declared monthly outgoings of £1,575.

My understanding of MoneyBoat's affordability process is that it likely used information from Mrs B's credit search as well as considering averages in the "*Common Financial Statement*". Following further checks, MoneyBoat increased Mrs B's expenditure by a further £909 per month. Therefore, for its affordability assessment, MoneyBoat believed Mrs B's monthly outgoings came to £2,484.

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

MoneyBoat was told that Mrs B had nine active accounts, owing around £4,800 (excluding the mortgage). There also weren't any County Court Judgements or any defaults recorded within the last three years.

MoneyBoat knew of three outstanding loans that Mrs B had. One of the loans Mrs B had some repayment problems at the end of 2022 and into the very start of 2023. Overall, these loans were costing her £437 per month.

However, there is a concern with regards to the mortgage account and this was highlighted by the investigator. The record showed that the account had been in arrears for the past eight months. The credit file also showed that Mrs B had recently entered into some sort of arrangement with her mortgage company – which I presume is to repay the arrears that had accrued on the account.

So, I'm going to conclude, like the investigator, that Mrs B was having difficulties keeping on top of her main priority debt indicated wider financial problems and so it was unlikely that she would've been able to repay this loan in a sustainable manner. And is enough of a reason to say that MoneyBoat ought to not have advanced this loan.

I've also thought about what MoneyBoat says – that in recent months Mrs B had been making payments to reduce the arrears. Looking at the credit file MoneyBoat received, Mrs B had paid her mortgage company nearly £3,000 in the month before the loan was approved and nearly £2,500 in the month before that.

My view is, Mrs B also had her regular living costs as well as her loan repayments. Taking the month before the loan was granted, the amount she'd paid to her mortgage company plus her outstanding loan payments came to around £3,363. So, I don't know how, given MoneyBoat appears to have been seen this, why it thought Mrs B having only £237 left over she could afford her remaining living costs as well as her MoneyBoat loan repayment.

I am therefore satisfied that MoneyBoat was given information which showed Mrs B had been having significant problems repaying her mortgage and while she did appear to making significant over payments to reduce the arrears, those over payments taken together with her other living costs means she couldn't afford the loan payments.

Taking everything into account, I am upholding Mrs B's complaint about the loan.

I am aware that Mrs B is also concerned about the conduct of MoneyBoat after she informed it she was having repayment problems. MoneyBoat has sent my copies of the emails it sent to Mrs B where it tried to engage with her about the problems she was experiencing.

However, as I've decided to uphold the complaint about MoneyBoat's decision to lend it will now have to provide a refund of any interest, fees and charges Mrs B paid to it. I consider this to be a fair outcome to the complaint and I've set out below what it needs to do in order to put things right.

### **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 to Mrs B. Clearly there are a great many possible, and all hypothetical, answers to that question.

For example, having been declined this lending Mrs B may have simply left matters there, not attempting to obtain the funds from elsewhere. 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 Mrs B 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 Mrs B 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 Mrs B the loan.

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

\*HM Revenue & Customs requires MoneyBoat to deduct tax from this interest. MoneyBoat should give Mrs B a certificate showing how much tax it has deducted, if she asks for one.

### **My final decision**

For the reasons I've outlined above, I am upholding Mrs B's complaint.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 14 May 2024.

Robert Walker  
**Ombudsman**