DRN-4712639

The complaint

Mr S 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 S's borrowing can be found in the table below.

loan number	loan amount	agreement date	repayment date	number of monthly instalments	largest repayment per loan
1	£500.00	11/06/2019	07/11/2019	6	£144.74
2	£750.00	07/11/2019	24/12/2021	6	£232.11

MoneyBoat considered the complaint and concluded it had made a reasonable decision to provide these loans because it had carried out proportionate checks which showed it Mr S could afford them. Unhappy with this response Mr S's representative referred the matter to the Financial Ombudsman.

The complaint was considered by an investigator, and she didn't uphold it. She said the checks carried out by MoneyBoat showed it that Mr S could afford his repayments and there wasn't anything else to suggest the payments would be unsustainable for him.

Mr S's representative didn't agree with the outcome saying at the time Mr S wasn't in a good financial position and had taken other loans to meet his bills. Mr S's representative then provided copy bank statements for the period of time before each loan was approved.

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 S 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 S'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 S. These factors include:

- Mr S 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 S 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 S 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 S. But I don't consider this applies to Mr S's complaint given the value of the loans and that only two loans were advanced to him.

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

Before these loans were approved, MoneyBoat carried out the same checks. It firstly, asked Mr S for details of his income and this was declared as being £2,400 per month for loan 1 and £2,500 per month for loan 2.

MoneyBoat says the income figures were checked through a third-party report provided by a credit reference agency. Although a copy of the results of this check haven't been provided, I haven't seen anything to suggest that MoneyBoat received information to contradict what Mr S had declared about his income.

Mr S also declared monthly outgoings of between £100 for loan 1 and £955 per month for loan 2. Part of MoneyBoat's affordability process is reviewing the information given to it by Mr S 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 S had provided.

In this case, MoneyBoat adjusted Mr S's monthly outgoings for both loans. It increased his living costs by £700 per month for loan 1 and by an additional £300 per month for loan 2. This meant for loan one, for its affordability assessment MoneyBoat used a monthly outgoing figure of £800 and £1,255 per month for loan 2. Even with the increased expenditure, there was still sufficient disposable income for Mr S to afford his repayment.

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 fairly similar. It knew, historically, that Mr S had defaulted on an account in June 2014 and another in February 2015. But that was some four years before the first loan was granted and in my view too much time had passed since those defaults to have led MoneyBoat to have been concerned by them or to suggest Mr S would have problems repaying these two loans. MoneyBoat knowing about the defaults wouldn't have changed its view to lend these loans.

For both loans MoneyBoat was aware that Mr S had other lending – but this other lending on its own isn't enough to have prompted further checks or to have declined the application. For example, at loan 1 he had one payday loan and some longer-term loans that may have been high-cost loans. In any event, these were costing around £470 per month to service and repay.

For both loans Mr S did under-declare 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 report into the rest of Mr S's declared outgoings he still had sufficient disposable income in which to meet his repayments.

It knew that Mr S hadn't defaulted on any accounts, he didn't have any County Court Judgements, or any other type of insolvency recorded beyond the defaults mentioned above.

Overall, taking account of the checks that MoneyBoat carried out, there wasn't anything 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 S had provided (or reviewing his bank statements) or to have declined his applications.

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

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 16 May 2024.

Robert Walker
Ombudsman