

The complaint

Mr G complains through a representative that Evergreen Finance London Limited trading as MoneyBoat.co.uk ("MoneyBoat") provided him with loans without properly checking his finances.

What happened

Mr G was granted four loans and a summary of his borrowing can be found below.

loan number	loan amount	agreement date	repayment date	number of monthly instalments	largest repayment per loan
1	£400.00	07/12/2018	31/05/2019	6	£116.66
2	£500.00	03/06/2019	26/11/2019	6	£150.03
3	£500.00	11/12/2019	31/05/2020	6	£140.52
4	£400.00	19/08/2020	24/12/2020	6	£110.00

MoneyBoat considered the complaint and concluded it had made a reasonable decision to lend. Unhappy with this response, Mr G's representative referred the complaint to the Financial Ombudsman.

The complaint was considered by an investigator, he didn't uphold the complaint about loans 1 and 2 because proportionate checks were conducted that showed the payments to be affordable. However, he did uphold the complaint about loans 3 and 4. By loan 3, Mr G's credit file showed a deterioration including new defaults and delinquency – which the investigator said showed Mr G was having financial difficulties.

MoneyBoat didn't agree with the investigator's findings saying the emergence of a default before loan 3 was granted wasn't enough to say the loan ought to not have been granted. In addition, loan 4 was taken three months after loan 3 was repaid and was for a smaller sum.

As no agreement could be reached the complaint was passed to me. I then issued my provisional decision explaining the reasons why I was intending to not uphold Mr G's complaint. Both parties were asked to provide any further submissions as soon as possible, but in any event, no later than 14 November 2024.

MoneyBoat responded and said it had nothing further to add. We didn't hear from either Mr G or his representative.

A copy of the provisional findings follows this in smaller font and forms part of this final decision.

What I said in my provisional decision:

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. The investigator didn't consider this applied to Mr G's complaint as there were only four loans and I would agree.

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.

Neither party has disagreed with the investigator's findings about loans 1 and 2 and so these loans are no longer in dispute. And as such I say no more about them. Instead this decision will focus on whether MoneyBoat did all that it should've before agreeing to loans 3 and 4.

Loan 3

Before this loan was approved, MoneyBoat asked for details of Mr G's income, expenditure and carried out a credit search. The results of these checks indicated to MoneyBoat that the loan repayments were affordable.

Mr G declared a monthly income of £2,900 and he declared monthly outgoings of £1,620. MoneyBoat used a tool provided by a credit reference agency to cross reference the income, and the results of that check indicated the declared figure was likely accurate.

MoneyBoat also used information gathered from Mr G's credit report as well as considering his living costs against averages found in the "Common Financial Statement". Having carried out these further checks, it increased Mr G's monthly outgoings by £95 per month. But even with the increased outgoings, MoneyBoat reasonably believed he had around £1,185 per month in disposable income and so the loan would've appeared affordable.

MoneyBoat also carried out a credit search and I've considered the results it received. MoneyBoat knew that Mr G had 12 active credit accounts of which two were utilities. He had one existing loan payment of £98 and a hire purchase agreement of £289 per month. Credit card debt of around £1,500 and then a couple of communication accounts costing £33 per

month. Overall, his monthly credit commitments were around £500 which was more than the £50 Mr G declared as part of his application.

So, what MoneyBoat really ought to have done is substituted the figure it received from the credit reference agency into its affordability calculations, but even if it had done that the loan still looked affordable. It's also worth noting that all these active accounts had been managed well with no missed payments being reported.

However, as the investigation pointed out, Mr G had defaulted on a credit card account in September 2019 – only a few months before this loan was advanced. The investigator said that ought to have been sufficient to have indicated to MoneyBoat that Mr G was experiencing money management problems.

But I disagree, it does show that fairly recently, Mr G for whatever reason had struggled to repay his credit card. I also can't ignore that his other active accounts were being well maintained with no signs that he was struggling to repay them. I also have to consider that MoneyBoat operates in a marketplace where a consumer's credit file maybe impaired.

All of that together has led me to conclude that while there was a recent default, the lack of any other adverse information and the fact Mr G was repaying his other creditors without any other issues means it was just about reasonable for MoneyBoat to have concluded that this loan was affordable and sustainable for Mr G.

I am therefore intending to not uphold Mr G's complaint for this loan.

Loan 4

Loan 4 was applied for almost three months after Mr G had settled loan 3, and it had the smallest contractual monthly repayment. While this gap wasn't enough to have broken the chain – and what I mean by that is MoneyBoat couldn't have reasonably concluded this was the start of a new lending chain. But what it did do was demonstrate to MoneyBoat that Mr G wasn't borrowing unsustainable in as much as he wasn't coming straight back for a new loan as soon as the other one was repaid.

It is also worth noting that all other loans had been repaid generally well and so MoneyBoat could reasonably believe that to be a positive indicator that the previous loans were both affordable and sustainable.

This time Mr G declared monthly income of £3,100 and MoneyBoat says this was once again checked through a tool provided by a credit reference agency.

Mr M declared outgoings of £1,800 per month, and MoneyBoat once again considered his credit file and the common financial statement, and it increased his monthly outgoings by a further £95. However, this still left £1,205 in disposable income and so this loan would've looked affordable to it.

MoneyBoat also carried out a credit search and I've considered the results it received, and these showed that Mr G had monthly outstanding credit commitments of around £450. Again, this is significantly lower than the amount Mr G declared to MoneyBoat as part of his application but even if MoneyBoat had substituted the figures into its affordability assessment.

Mr G overall debt had also decreased and there were no signs that he was constantly opening new credit commitments – indeed he had only opened one new account within the previous six months which was likely loan 3. There were also no new defaults.

Given the lending relationship, the fact Mr G's overall indebtedness had decreased and he had the lowest monthly repayment. The checks MoneyBoat also carried out suggested this loan would be affordable and I do think it was reasonable for MoneyBoat to have relied on the results that it received.

I am therefore intending to not uphold Mr G's complaint about this loan.

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.

As neither party has provided any new submissions, I see no reason to depart from the findings that I made in the provisional decision. That being, MoneyBoat conducted proportionate affordability checks before it lent to Mr G which showed he would be able to afford the repayments he was committed to making. I therefore do not uphold his complaint.

Finally, I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think MoneyBoat lent irresponsibly to Mr G or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

For the reasons I've explained above and in the provisional decision, 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 13 December 2024.

Robert Walker
Ombudsman