

The complaint

Mr I complains Evergreen Finance London Limited trading as MoneyBoat.co.uk (“MoneyBoat”) provided him with loans without properly checking his finances.

What happened

Mr I was granted six 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	£200.00	11/03/2022	22/04/2022	2	£118.70
2	£400.00	23/04/2022	23/08/2022	4	£158.03
3	£450.00	25/08/2022	27/11/2022	5	£153.01
4	£400.00	15/03/2023	23/06/2023	4	£137.66
5	£800.00	10/07/2023	07/09/2023	6	£222.90
6	£500.00	04/10/2023	23/01/2024	4	£184.98

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

The complaint was considered by an investigator, who upheld it about loan 2 only. He said the results of the checks MoneyBoat conducted showed it that Mr I didn’t have sufficient disposable income to afford the repayments to this loan.

He also said, that by loan 5, given the lending pattern, MoneyBoat ought to have been verifying the information Mr I had provided for this and all future loans. But had further checks been made MoneyBoat would’ve still lent to Mr I.

Mr I didn’t agree with the investigator’s findings saying all the loans were unaffordable, his credit file showed a reliance on payday loans and he had adverse payment information. MoneyBoat also disagreed with the investigator’s reasoning why loan 2 should be upheld.

The complained was passed to me and I issued a provisional decision outlining why I was intending to uphold the complaint, in part about loans 2, 5 and 6. Both parties were asked to provide any further submissions as soon as possible, but in any event, no later than 6 December 2024.

Mr I accepted the provisional decision and had nothing further to add. MoneyBoat didn’t accept the findings, saying in summary;

- By loan 2, Mr I’s reduced payment on the loan had been in place for three months and there had been a drop in the balance at around that time.
- There was a ‘QY’ marker indicating that any issues with the account may not have been due to financial difficulties.

- While there had been a lending journey by loan 5, there wasn't anything else to have triggered further checks.

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 I 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 I'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 I. These factors include:

- *Mr I 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 I 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 I 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 I. The investigator considered this didn't apply to Mr I's complaint and I would agree, given the lending history and amounts advanced.

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

Loan 1

Mr I was asked to declare his monthly income which he said was £1,650 per month. MoneyBoat says Mr I's income was cross referenced using a credit reference agency information. For a first loan this is a reasonable check.

MoneyBoat also made enquires with Mr I about his housing costs as well as his other living costs and Mr I declared these totalled £700. MoneyBoat then went about checking these figures firstly from information gathered from Mr I's credit report. It is also my understanding that MoneyBoat also likely compared Mr I's declared living costs against averages found in the "Common Financial Statement". Having carried out these checks, it increased Mr I's monthly outgoings by a further £130. But even with this adjustment Mr I still had sufficient

disposable income to afford the repayment.

MoneyBoat also carried out a credit search and it has provided the results it received from the credit reference agency and so I've considered these to see whether there was any indication that it either needed to decline Mr I's application or to have prompted it to carry out further checks.

Mr I had some historic defaults and so this wouldn't have been overly concerning for MoneyBoat. There was some more recent payment problems but given the market place that MoneyBoat operates in I think it was just about reasonable for it to have approved this loan because although the credit check results showed that Mr I's commitments were more than what he declared, even if MoneyBoat had factored in the actual costs the loan would've still appeared affordable.

I am therefore not upholding Mr I's complaint about this loan.

Loan 2

It seems MoneyBoat carried out the same sort of checks before this loan was granted as it had done so for loan 1. Mr I's cross-referenced income was noted as £1,575, and after checking Mr I's outgoings against the credit search results and the Common financial statements MoneyBoat concluded he had £528 per month in which to make his monthly repayments of around £158. So, the loan would've looked affordable.

Given this was only the second loan then its arguable the checks were proportionate. However, MoneyBoat would still be expected to react to the information that it received, and I don't think for this loan that it did.

A copy of the credit search result has been provided, and I've considered it and it's clear to me that the credit checks showed that Mr I's monthly outgoings were significantly greater than the amount he declared to MoneyBoat and or the increase that MoneyBoat applied to the figures.

At the time the loan was approved, Mr I had credit card debt of around £1,300 and at a minimum this was costing around £67 per month to repay. On top of this Mr I was also making regularly payments towards a defaulted account of £20 per month. He was also using an overdraft but I've not factored in any payments to that purely because that was an open ended agreement and there isn't a set amount to be paid each month.

However, MoneyBoat was told that he had three active loan accounts, and one of them was a payday loan. These were costing him £700 per month to repay. It's worth saying here that a loan costing £151 a month had recently been in arrears – perhaps indicating that Mr I was having difficulties.

I've considered that one of the loan accounts – which was meant to be costing Mr I £398 per month to repay was now in an arrangement to pay and was actually only costing him £50 per month. So, I can understand why MoneyBoat says that the credit commitments weren't as high as the investigator calculated.

But I don't think I can fairly say that the loan was only affordable because Mr I was on a repayment plan for an existing payday loan and because he was paying so much less than contracted that it made this MoneyBoat loan affordable.

Had MoneyBoat considered the contracted monthly repayments Mr I had and added that figure onto the other information Mr I provided about his living costs – this would've left him with just over £100 in which to afford the repayment of around £158 per month. In those circumstances I am upholding Mr I's complaint about this loan because MoneyBoat's own checks showed the loan to be unaffordable.

Loan 3

For this loan, Mr I's income was cross referenced as being £1,665 per month – so around what it had been for the previous two loans. This time, Mr I's disposable income was around £815 per month – this was after MoneyBoat asked him for his costs and then checking those figures with the credit reference agency and the common financial statement.

However, I do have some concerns about the costs this time, Mr I had. Unlike loans 1 and 2 Mr I declared that he didn't have any rent – when previously he had declared that this was £300 per month.

So, at the very least, I do think MoneyBoat ought to have added £300 to his outgoings to cover the rent payments that had been declared for the previous two loans. Or even if MoneyBoat would've asked Mr I what his rent was or why there had been a change I think it's likely he would've told MoneyBoat a similar figure.

Had MoneyBoat done that – based on the other figures it would've left disposable income of £515 – which is still enough to afford a repayment amount of £153.

The credit check showed much the same as before – his commitments were more than what he had declared, but given the results of the credit search this loan was just about affordable and so I think it was fair for MoneyBoat to have granted it.

Loans 4

After repaying loan 3, Mr I then didn't approach MoneyBoat for further lending for around four months. Given the previous lending relationship while I don't think it's enough on its own to have broken the lending chain, it did nonetheless indicate to MoneyBoat that Mr I wasn't reliant on the loans as there had been a period of time where none were taken from MoneyBoat.

The same checks were carried out by MoneyBoat before this loan and taking account of the income of £1,800 as well as the declared outgoings, and credit file information it established that Mr I had sufficient disposable income.

The credit checks again showed that the amount Mr I declared wasn't likely to be accurate – so as before, MoneyBoat needed to have substituted the amount the credit file says was due for each active account (including a minimal payment for his credit cards). The monthly costs of the commitments were around £800 – and it was this figure that ought to have been used as part of its affordability assessment. But even doing that there was still sufficient disposable income for Mr I to afford the loans.

Given this was the fourth loan, and the first loan for four months, I do think in the circumstances it was just about reasonable for MoneyBoat to have advanced this loan without it conducting any further checks. I therefore do not uphold Mr I's complaint about this loan.

Loans 5 and 6

For these loans, MoneyBoat verified Mr I's income by obtaining copy payslips., So it knew the income figures of £2,037 and £2,300 were likely to be accurate.

For loan 5, it asked the same sort of questions, and it was told that Mr I's disposable income was £311 and when it carried out the same checks for loan 6 MoneyBoat believed that Mr I's disposable income was £1,102. This is quite a significant difference given these loans were approved only three months apart.

As with other loans MoneyBoat carried out credit searches for each loan. However, like the investigator said I do think that by the time of loan 5, given the number of loans that he had taken from MoneyBoat, the fact loan 5 was the largest loan to date and he was further extending his indebtedness by a further six months means for these loans MoneyBoat ought

to have carried out further checks before it granted the loans.

Just because I think further checks were needed that doesn't automatically mean that Mr I's complaint is to be upheld. After all, if further checks indicated that the loan was sustainable and affordable then I'd conclude that MoneyBoat hadn't done anything wrong.

By loan 5, MoneyBoat's checks needed to extend beyond relying on the information it was being provided with. It had checked Mr I's income with a payslip so I don't think it needed to do anymore there. But it did need to check Mr I's financial position to ensure the loan was affordable and sustainable.

But loan 5 was granted Mr I already had three outstanding payday loans – I appreciate that that wasn't indicated within the bank credit file but a review of his bank statements would've shown that the repayments were for payday loans.

Given that Mr I had already three outstanding loans (not including the unpaid loan 4) this has led me to conclude that this loan ought to not have been granted. Mr I had from the credit file and his lending history with MoneyBoat taken a number of loans and settled them over the previous six months.

It's therefore likely in my view that Mr I was taken on credit in order to fill the gap in his living cost as a result of making these payments. With three loans outstanding at the time I'm therefore concluded that loan 5 and any further loans ought to not have been granted.

A proportionate check would most likely have shown that Mr I was having problems managing his money because he was stuck in a cycle of using payday loans given the number outstanding. In these circumstances, I think MoneyBoat ought to have realised it was unlikely Mr I would've been able to sustainably repay this loan or any other borrowing.

I am therefore intending to uphold Mr I's complaint about both loans 5 and 6.

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.

Mr I agreed with the provisional decision and MoneyBoat agreed with the decision in as far as the reasons given for not upholding loans 1, 3 and 4. So I won't be revisiting those loans again here.

I've considered the screen shot provided by MoneyBoat about the payday loan entry on Mr I's credit search results which is the crux of the matter about loan 2. Taking the amount that is stipulated as the regular payment would make the loan unaffordable. Whereas, MoneyBoat says that Mr I wasn't making his payments, and instead was paying £50 per month towards the balance.

I've thought about this carefully. But the screen shot provided by MoneyBoat does show that Mr I wasn't making the contracted payment he was due to make towards the outstanding payday loan. The record shows the monthly amount should be £398 but the record shows the account is subject to an 'AR' – so an arrangement to pay.

And arrangements to pay are generally only agreed when a consumer has been unable to meet their contractual payments – and is normally a sign that there are financial difficulties. Indeed, that seems likely, because another active loan account had recently been 3 months in arrears and that had also been subject to a payment arrangement.

So, given this, I don't think I can fairly conclude that loan 2 was only affordable to Mr I because he had departed from the credit agreement on another payday loan to the extent

that the payment arrangement was being recorded with the credit reference agency. I am therefore still upholding Mr I's complaint about loan 2.

I've considered what MoneyBoat has said about loans 5 and 6. And I do agree that Mr I had "...a lending journey..." and that was of course one of the factors that led me to conclude further checks were needed.

But I also thought about the increased borrowing – loan 5 was Mr I's largest loan to date. I also queried the significant difference in disposable income that MoneyBoat used for the affordability assessment – and those factors ought to have led to further checks.

I've also not seen anything else to make me think that shouldn't still be the case. And for the reasons outlined in the provisional decision, had further checks been made, than MoneyBoat would've likely concluded these loans weren't affordable for him either.

So, I've reached the same conclusions I reached before, for broadly the same reasons and I don't think MoneyBoat ought to have granted loans 2, 5 or 6 to Mr I. I've set out below what MoneyBoat needs to do in order to put things right for him.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed above results in fair compensation for (consumer) in the circumstances of (his/her/their) complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

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 2 and loans 5 and 6 to Mr I, 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 I 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 I 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 I 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 Mr I loans 2, 5 and 6.

- A. MoneyBoat should add together the total of the repayments made by Mr I towards interest, fees and charges on these loans, including payments made to a third party where applicable, but not including anything MoneyBoat have already refunded.
- B. MoneyBoat should calculate 8% simple interest* on the individual payments made by Mr I which were considered as part of "A", calculated from the date Mr I originally made the payments, to the date the complaint is settled.
- C. MoneyBoat should pay Mr I the total of "A" plus "B".
- D. MoneyBoat should remove any adverse information MoneyBoat have recorded on Mr I's credit file in relation to loans 2, 5 and 6.

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

My final decision

For the reasons I've explained above and in the provisional decision, I'm upholding Mr I's complaint in part.

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr I to accept or reject my decision before 14 January 2025.

Robert Walker
Ombudsman