

complaint

Miss S says Morses Club PLC, trading as Morses Club, irresponsibly lent to her.

background

This complaint is about six loans Morses Club provided to Miss S between November 2015 and June 2017. Miss S's borrowing history is as follows:

Loan	Date Taken	Date Repaid	Instalments	Amount	Highest Weekly Instalment
1	04/11/2015	10/03/2016	20 (weekly)	£200.00	£15.00
2	10/03/2016	04/10/2016	33 (weekly)	£300.00	£15.00
3	05/05/2016	16/12/2016	33 (weekly)	£100.00	£20.00
4	04/10/2016	08/11/2016	33 (weekly)	£400.00	£25.00
5	16/03/2017	outstanding	33 (weekly)	£500.00	£25.00
6	27/06/2017	10/05/2019	33 (weekly)	£150.00	£32.50

* The highest weekly instalments for each loan takes into consideration any other outstanding loans repayments Miss S had to make to Morses Club at the time.

Morses Club considered Miss S's complaint and decided to uphold her complaint about loan 4 only. So as this loan as has already been upheld, I haven't considered this further in my decision.

Our adjudicator considered Miss S's complaint and felt that loans 1-3, 5 and 6 shouldn't have been given, and so upheld Miss S's complaint. Morses Club disagreed on the basis that it felt the loans were affordable for Miss S, so the complaint has been passed to me for a final decision.

my findings

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 short-term lending - including all of the relevant rules, guidance and good industry practice - on our website.

Morses Club needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Miss S could repay the loans in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and the consumer's income and expenditure. With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate.

But certain factors might point to the fact that Morses Club should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These factors include:

- the *lower* a consumer's 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 *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the *greater* the number and frequency of loans, and the longer the period of time during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

I think that it is important for me to start by saying that Morses Club was required to establish whether Miss S could sustainably repay her loans – not just whether the loan payments were affordable on a strict pounds and pence calculation.

Of course, the loan payments being affordable on this basis might be an indication a consumer could sustainably make their repayments. But it doesn't automatically follow this is the case. This is because the relevant regulations define sustainable as being without undue difficulties and in particular the customer should be able to make repayments on time, while meeting other reasonable commitments; as well as without having to borrow to meet the repayments. And it follows that a lender should realise, or it ought fairly and reasonably to realise, that a borrower won't be able to make their repayments sustainably if they're unlikely to be able to make their repayments without borrowing further.

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Miss S's complaint.

I've looked at the information collected, and the affordability assessments Morses Club carried out when Miss S applied for loans 1, 2, 3 and 5. The repayment for these loans all represented a significant proportion of Miss S's income. Morses Club say that for all her loans she was never required to put more than 25% of her weekly income towards her combined repayments. I've considered this, and I agree that the repayments represented less than 25% of her weekly income, however, I still consider the repayments for loans 1, 2, 3 and 5 to be relatively high and I've also taken into account length of term Miss S was required to continue making these repayments. I've also considered that although Miss S did not have any housing costs, there are likely to have been other weekly and monthly costs which were not recorded at the time the loans were applied for. So, I think these loans were unaffordable for Miss S and unsustainable for the duration of the loan agreements.

In these circumstances, there was a significant risk that Miss S wouldn't have been able to meet their existing commitments without having to borrow again. So, I think it's unlikely Miss S would've been able to sustainably meet their weekly repayments for these loans – or any subsequent loans.

I've also looked at the overall pattern of Morses Club's lending history with Miss S, with a view to seeing if there was a point at which Morses Club should reasonably have seen that further lending was unsustainable, or otherwise harmful. And so, it should have realised that it

shouldn't have provided any further loans.

Given the particular circumstances of Miss S's case, I think that this point was reached by loan 6. I say this because I think at this point Morses Club ought to have realised Miss S was not managing to repay her loans sustainably. Miss S had already taken out five loans within 14 months and was applying for loan 6 while loan 5 was still outstanding. So Morses Club ought to have realised it was more likely than not Miss S was having to borrow further to cover the hole repaying her previous loan was leaving in her finances and that Miss S's indebtedness was increasing unsustainably.

I've thought about what Morses Club has said and I've also considered Miss S's weekly income and expenditure at the point of taking out each loan. While it may appear on the outset that Miss S would've been able to afford the repayments at each stage of borrowing, the number of loans taken and the period it was taken suggests that Miss S had developed a reliance on this type of credit. And looking at Miss S's lending pattern by loan 6, I think Morses Club ought to have reasonably realised that further lending was unsustainable, and potentially harmful.

I think that Miss S lost out because Morses Club continued to provide borrowing which was likely to have had negative implications on her ability to access mainstream credit and so kept her in the market for these high-cost loans.

So, I'm also upholding the complaint about loans 1, 2, 3, 5 and 6 and Morses Club should put things right as set out below.

putting things right

- refund all interest and charges Miss S paid on loans 1, 2, 3, 5 and 6;
- pay interest of 8% simple a year on any refunded interest and charges from the date they were paid (if they were) to the date of settlement†;
- remove any negative information about loans 1, 2, 3 and 5 from Miss S's credit file;
- all entries about loan 6 should be removed from Miss S's credit file.

† HM Revenue & Customs requires Morses Club to take off tax from this interest. Morses Club must give Miss S a certificate showing how much tax it's taken off if she asks for one.

my final decision

For the reasons outlined above I am upholding Miss S's complaint. Morses Club Limited should put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 21 August 2020.

Sienna Mahboobani
Ombudsman