

The complaint

Mrs W's complaint is about loans she took with Morses Club PLC ("Morses"). She says these loans were unaffordable.

What happened

Morses provided Mrs W with nine home collected credit loans between November 2013 and August 2016. The amounts borrowed ranged between £300 and £900 and were due to be repaid weekly. The outstanding amounts on loans 8 and 9 have been sold on to a third party.

Our adjudicator thought Morses shouldn't have provided the loans from loan 5 onwards as the pattern of Mrs W's borrowing indicated she was reliant on this type of loan. So, they partially upheld Mrs W's complaint.

Morses accepted our adjudicator's view and said that after it had applied the redress there was still an outstanding balance. But Mrs W disagreed because she wasn't happy with the way the redress was being shown that Morses had been calculated for loan 5.

As the complaint couldn't be resolved informally, it has been passed to me 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 short-term lending - including all the relevant rules, guidance and good industry practice - on our website.

Morses 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 Mrs W could repay the loans in a sustainable manner. These checks could consider several different things, such as how much was being lent, the repayment amounts and the consumer's income and expenditure. 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 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 Moses was required to establish whether Mrs W 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 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 the arguments, evidence and information provided in this context and what this all means for Mrs W's complaint.

Our adjudicator didn't uphold Mrs W's complaint about loans 1 to 4. As Mrs W hasn't queried the adjudicator's findings on these loans, I won't be making any further findings on them.

Moses agreed with our adjudicator's findings that loans 5 to 9 shouldn't have been lent. Looking at what the adjudicator said, I agree with their rationale for why these loans weren't suitable for Mrs W.

Mrs W has disagreed with the redress she has been offered. I've noted her comments about loan 5, but I think the phrasing Moses has used has led to a misunderstanding. I can see that Moses has used the phrase 'cancel loan after 14 days' to describe loan 5 on its calculations – which Mrs W has quite rightly pointed out as not correct as loan 5 ran for three months. However, it looks like this phrase is what Moses uses to describe loans cancelled outside its cooling off period (which is 14 days) and not that the loan was cancelled after a period of 14 days.

Looking at the calculations Moses has provided, it looks like loan 6 was treated as an extension of loan 5 rather than being two loans. I say this because:

- when loan 5 was closed by Moses, Mrs W had repaid £259 towards the principal amount of £400 borrowed;
- loan 6 was opened on the same terms and the £259 was then applied to loan 6's balance as if Mrs W made the repayment against the amount borrowed at loan 6. The starting balance of loan 6 is shown as £700 (£400 borrowed plus £300 interest) and then it was reduced by £259 immediately so the balance Mrs W needed to repay on loan 6 was £441 rather than £700.
- Moses' calculations then show that loan 5's balance is zero.

Overall and having carefully thought about everything, I'm satisfied that what Moses has already agreed to do (in terms of putting things right for loans 5 to 9) is fair and reasonable in

all the circumstances of Mrs W's case. And I hope my explanation has clarified things for Mrs W.

My final decision

For the reasons explained above, I think what Morses Club PLC has already agreed to do to put things right for Mrs W is fair and reasonable in the circumstances of the complaint and I don't ask it to do any more.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 8 September 2020.

Claire Marchant-Williams
Ombudsman