

## The complaint

Mr M says Moses Club PLC lent to him irresponsibly. He says Moses kept giving him loans without checking his details. And this caused him financial problems.

## What happened

Our adjudicator thought the complaint should be partially upheld. Moses disagreed with the adjudicator's opinion. The complaint was then passed to me.

I issued my provisional decision saying that Mr M's complaint should be upheld in part. A copy of the background to the complaint and my provisional findings are below in italics.

*'This complaint is about four home collected credit loans Moses provided to Mr M between April 2016 and February 2018.*

loan number	date started	amount borrowed	term (weeks)	date ended
1	29/04/2016	£300	33	11/10/2016
2	11/10/2016	£600	33	19/05/2017
3	19/05/2017	£1,000	52	21/02/2018
4	21/02/2018	£1,500	52	12/02/2020

*Our adjudicator partially upheld the complaint. Moses disagreed with the adjudicator's opinion so the complaint has been passed to me.*

## **What I've provisionally 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 irresponsible lending - including all of the relevant rules, guidance and good industry practice - on our website.*

*Moses 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 Mr M 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 Moses should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These factors include:*

*the lower a customer'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.*

*And the loan payments being affordable on a strict pounds and pence calculation might be an indication a consumer could sustainably make their repayments. But it doesn't automatically follow this is the case. The industry regulator defines 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 Mr M's complaint. I've provisionally decided to uphold*

*Mr M's complaint. I'm thinking about awarding compensation in respect of loans 3 and 4 and I've explained why.*

*Mr M didn't disagree with our adjudicator's opinion about loans 1 and 2. Because of this I don't think there is any ongoing disagreement about these loans. So I won't be making a decision about this lending. But they were part of the borrowing relationship Mr M had with Moses. So, they are something I will take into account when considering the other loans he took.*

*For loan 3 Mr M needed to repay £35 a week over the coming year. Mr M's recorded income was £260 a week and this was comprised of benefits only. I think this repayment amount is a significant proportion of his income and it's likely, on its own, that Mr M would struggle to make these repayments over this length of time.*

*I've looked at the information recorded about Mr M's expenditure to see if Moses could've been certain it was affordable. Mr M's expenditure was shown to be around £120 a week. Although the details Moses collected about this seem to be very sparse. And I can see at loan 3 it's recorded that he doesn't make any contribution to the mortgage or rent he and his partner pay. But at loan 1 it was shown that he did contribute to this. So, I'm not really persuaded the information Moses collected about Mr M's finances was a true reflection of his circumstances.*

*So I've taking into account the amount and source of his income and the uncertainty surrounding his expenditure. I've also taken into account the fact Mr M had already been indebted to Moses for over a year at this point and he was now making a commitment to make significant repayments for another year. All of this leads me to conclude that the repayments for loans 3 and 4 were unlikely to be sustainably affordable. As such, I don't think that Moses should've approved loans 3 and 4 to Mr M and I'm planning to uphold Mr M's complaint about these loans.'*

Moses, and Mr M, confirmed they received my provisional decision. Moses didn't have anything to add after they'd seen it. Mr M agreed with My earlier decision. He did provide some information about his employment but this doesn't change my findings above.

### **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.

Morses and Mr M didn't raise any new points after receiving my provisional decision. So I've reached the same conclusions I reached before, for the same reasons. And I've explained below what Morses needs to do put things right.

### **Putting things right**

Morses shouldn't have given Mr M loans 3 and 4.

If Morses have sold the outstanding debts Morses should buy these back if Morses is able to do so and then take the following steps. If Morses is not able to buy the debts back then Morses should liaise with the new debt owner to achieve the results outlined below.

A) Morses should add together the total of the repayments made by Mr M towards interest, fees and charges on all upheld loans without an outstanding balance, not including anything Morses has already refunded.

B) Morses should calculate 8% simple interest\* on the individual payments made by Mr M which were considered as part of "A", calculated from the date Mr M originally made the payments, to the date the complaint is settled.

C) Morses should remove all interest, fees and charges from the balance on any upheld outstanding loans, and treat any repayments made by Mr M as though they had been repayments of the principal on all outstanding loans. If this results in Mr M having made overpayments then Morses should refund these overpayments with 8% simple interest\* calculated on the overpayments, from the date the overpayments would have arisen, to the date the complaint is settled. Morses should then refund the amounts calculated in "A" and "B" and move to step "E".

D) If there is still an outstanding balance then the amounts calculated in "A" and "B" should be used to repay any balance remaining on outstanding. If this results in a surplus then the surplus should be paid to Mr M. However if there is still an outstanding balance then Morses should try to agree an affordable repayment plan with Mr M. Morses shouldn't pursue outstanding balances made up of principal Morses have already written-off.

E) Morses should remove any adverse information recorded on Mr M's credit file in relation to loans 3 and 4.

\*HM Revenue & Customs requires Morses to deduct tax from this interest. Morses should give Mr M a certificate showing how much tax it has deducted, if Mr M ask for one

### **My final decision**

For the reasons I've explained, I partly uphold Mr M's complaint. Morses Club PLC should put things right by doing what I've said above. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 19 August 2020.

Andy Burlinson  
**Ombudsman**