

The complaint

Ms N says Morses Club PLC lent to her irresponsibly.

What happened

I sent Ms N and Morses Club my provisional findings on this complaint on 7 August 2020. In it I set out what I thought Morses Club should do to put things right for Ms N. I asked Ms N and Morses Club to let me know if they had any further points they wanted me to consider. Both parties have now accepted my provisional decision, the key parts of which I've set out below.

"We know that Ms N had nine loans with Morses Club. Information about some of these loans is limited. I've set out a summary of the key the information I do have, provided by both Ms N and Morses Club, in the table below.

Loan no.	Amount (£)	Start date	End date
1	500	unknown	unknown
2	350	unknown	unknown
3	450	15/06/2013	16/05/2014
4	500	11/10/2013	23/10/2015
5	400	29/11/2013	16/06/2016
6	600	17/05/2014	01/12/2017
7	170	01/12/2017	16/03/2018
8	370	16/03/2018	with a third party
9	500	04/05/2018	with a third party

An adjudicator considered Ms N's complaint (she did so before some of the above information was available) and thought the complaint should be upheld in respect of loan 6 – and she endorsed Morses' existing offer to settle the complaint in respect of loans 7 to 9.

Ms N asked that her complaint be reviewed by an ombudsman and so it was passed to me. Loans 1 to 5 are the only loans which are still really in dispute but I've set out a different approach to redress for loans 8 and 9 and invite comments from both parties on this.

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.

There is, as I've said above, little information available in respect of loans 1 to 5. Morses Club has been able to confirm the amounts lent for loans 1 and 2 and additionally the start and end dates for loans 3 to 5 but does not have any loans agreements or application paperwork. This means I'm unable to say what sort of information Morses Club checked before giving these loans to Ms N and whether those checks were proportionate.

Ms N has been able to provide some additional information, including a photograph of one of the loan books, but I'm afraid this doesn't assist greatly with deciding whether the loans were lent responsibly. It is only really evidence that the loan existed and that isn't in dispute.

With so little information, I cannot fairly say if loans 1 to 5 were individually affordable or not. I can see that loans 3 to 5 were all approved in fairly quick succession and by loan 5 they ran simultaneously but I don't think that is enough on its own to suggest they were likely to be unaffordable or to demonstrate a harmful pattern of lending. I don't therefore intend to uphold the complaint about loans 1 to 5.

This leaves loans 6 to 9 – and Morses Club has agreed to uphold the complaint about these loans. It has said it will remove the interest from outstanding loans, leaving only the principal to pay. Ordinarily, I'd agree that was fair – but there's more to consider in Ms N's case.

It appears loans 8 and 9 were sold to a third party ("L"). Ms N has provided letters from L which state it does not intend to pursue her for these debts and had closed its files. L must have had a reason to decide not to pursue those debts and Ms N has said this is simply because she can't afford to repay them. I see no reason not to accept that explanation – the letters from L tend to support this explanation.

Given the above, I don't think it would be right for Morses to take back these debts and pursue Ms N for the balance as part of the redress. I therefore propose to ask Morses to do nothing in respect of loans 8 and 9. This will not leave Ms N worse off as she has not repaid more than she borrowed in respect of these loans, so she wouldn't be due a refund in any event.

I therefore only intend to ask Morses to take action in respect of loans 6 and 7, which I understand it still owns. For these loans, I plan to ask Morses to calculate redress in the usual way – but I think it would be fair and reasonable in this case for Morses to take into account that Ms N had the benefit of principal she didn't repay for loans 8 and 9 ... and deduct this from the redress for loans 6 and 7."

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 both Ms N and Morses Club accepted my provisional decision, I see no reason to depart from my provisional findings. So my final decision is the same as my provisional decision, for the same reasons.

Putting things right

Morses *should not* take loans 8 and 9 back from L as L has already decided Ms N cannot afford to repay them and has closed the accounts.

Morses should refund the interest and charges Ms N paid towards loans 6 and 7 and add 8% simple interest to the refund, from the dates Ms N paid the interest and charges, until the date of settlement*.

Morses may deduct the unpaid principal written off by L from loans 8 and 9 from the refund (after tax). The balance of the redress should then be paid to Ms N.

Morses should remove any adverse information it has reported about loans 6 and 7 from Ms N's credit file. It should ask L to do the same for loans 8 and 9. The exception to this is if L has obtained a county court judgement in respect of any unpaid principal.

*HM Revenue & Customs requires Morses Club to take off tax from this interest. Morses Club must

give Ms N a certificate showing how much tax it's taken off if she asks for one.

My final decision

For the reasons given above, I uphold Ms N's complaint in part. Morses Club PLC must put things right by taking the steps set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms N to accept or reject my decision before 10 September 2020.

Matthew Bradford
Ombudsman