DRN-2090658

The complaint

Miss P says Morses Club PLC lent to her irresponsibly. She says that the lender didn't carry out adequate affordability checks. If it had done these it wouldn't have lent to her.

What happened

This complaint is about three home collected loans Morses provided to Miss P between July 2017 and July 2018.

loan number	date started	amount borrowed	term (weeks)	date ended
1	18/07/2017	£200	20	26/09/2017
2	26/10/2017	£400	33	13/07/2018
3	13/07/2018	£400	33	03/05/2019

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

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 of 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 Miss P 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 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.

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Miss P's complaint. I've decided to uphold Miss P's complaint in part and I have explained why below.

As our adjudicator said, Miss P's income was modest when she took loan 1. Morses' records show she was earning £93 a week. And the repayment of £15 a week was a significant proportion of this income. I understand Miss P's expenditure was also modest due to her circumstances, but I don't think it was reasonable to assume she would have enough left over to meet any unforeseen expenditure after making the loan repayments. Especially as the loan had a term of 20 weeks. So I agree that the repayment was too high and likely showed that the lending was unsustainable. Because of these factors I don't think Morses was right to approve loan 1.

Morses has said that before loan 2, Miss P's income had increased and so the loan repayments were a lower proportion of her income. Her expenses were still modest. So it wasn't right to say that the loan repayments would be a high proportion of her income going forward.

It does seem possible that Miss P was in receipt of a higher income. But Morses hasn't been able to provide a copy of the payslip it says it looked at before approving the lending. So I think it's reasonable so say there is still some uncertainty around this.

And Miss P's income was still recorded as being modest at £200 a week. She had now been borrowing from Morses for over three months and the amount she wanted to borrow doubled. And this was a commitment to make repayments for a further 33 weeks. These factors don't indicate to me that her finances were improving.

So, taking all of this into account, I also don't think it was right to approve loans 2 and 3.

Putting things right

Morses shouldn't have approved loans 1 to 3. It should:

- refund all interest and charges Miss P paid on loans 1 to 3;
- 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 to 3 from Miss P's credit file;

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

My final decision

For the reasons I've explained, I uphold Miss P'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 Miss P to accept or reject my decision before 19 October 2020.

Andy Burlinson
Ombudsman