

The complaint

Miss H says Morses Club PLC lent to her irresponsibly. She says that repaying the loans caused her financial difficulty. She says that Morses should've seen this and not lent to her.

What happened

This complaint is about five home collected loans Morses provided to Miss H between September 2011 and July 2012. Some of information I've been provided about the lending, from Miss H and her representative, is in the table below:

loan number	date started	amount borrowed	term (weeks)	weekly repayments
1	01/09/2011	£500	22	£35
2	10/11/2011	£300	22	£21
3	19/01/2012	£200	34	£10
4	15/05/2012	£1,000	34	£50
5	17/07/2012	£300	22	£21

I issued my provisional decision saying that Miss H's complaint should be upheld in part. An extract from this decision is below in italics:

I don't have end dates for the lending but I do know that loans 4 and 5 were passed to a third party collection agency.

Miss H's representative has said that loans 1 and 2 were running at the same time, this was the same for loans 2 and 3. Loan 4 repaid loan 3 and loans 4 and 5 ran at the same time.

Morses says, due to the time that has passed, that it no longer has any substantive information about the lending. It also doesn't have any information about what it recorded about Miss H's circumstances when it approved the loans.

Our adjudicator didn't uphold the complaint. Miss H, and her representative disagreed with the adjudicator's opinion. They have provided some further information about the lending and Miss H's circumstances at the time of sale. I've considered this complaint having looked at this new information.

What I've provisionally decided – and why

I've considered all the available evidence and arguments to provisionally 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.

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 H 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.

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

Both sides to this dispute don't have a great amount of information from the time of sale. This is understandable given the time that has passed. Despite this, I think I have enough information to fairly decide this complaint.

Miss H, and her representative, have told me that Miss H was on benefits for much of the time she borrowed from Moses. She was in receipt of Jobseekers Allowance of somewhere between around £55 to £75 a week. She did have some paid work at times, but I understand this wasn't regular. I understand Miss H lived with her family.

So, whilst I can't say for certain what Ms H's income and outgoings were, I think it's reasonable to say that both of these were modest. And it's likely, at times, that Miss H would receive only her benefit income.

For loan 1 Miss H needed to repay around £35 a week after taking it. She would do this for 22 weeks. She took loan 2 a relatively short time later which I understand added another £21 to her weekly repayment.

These amounts do seem high compared to what I think Miss H's income was. But the amounts borrowed decrease for loan 2, and again for loan 3. Miss H seems to manage to make the repayments. This would suggest that Miss H's financial situation was, at the very least, not deteriorating due to the lending.

And loans 1 to 3 were relatively early in the lending relationship and so it would be reasonable for Moses to be doing less to establish if the loans were sustainable for Miss H, for the reasons I've outlined above.

So, the information I have doesn't lead me to conclude that it was likely that Moses was acting incorrectly when it approved loans 1 to 3. I'm not intending to uphold Miss H's complaint about these loans.

But for loan 4, and going forward, Miss H borrows a much higher amount. And she makes a commitment to repay what was likely to be a significant amount of her income again. And by now Miss H has been borrowing for just over 8 months and she was making a commitment going forward to do this for another 34 weeks.

These factors themselves suggest that Miss H was in financial difficulty. I think it's reasonable to say that she was committing to repay too high a proportion of her income over too long a period. From the

limited information I have I think it's reasonable to say that this lending was likely to be unsustainable. Moses should've seen this and not lent to her.

I don't think that Moses should've approved loans 4 and 5 to Miss H. I'm intending to uphold her complaint about this lending.

Moses, and Miss H, confirmed that they had received my provisional decision. Miss H's representative said that the loans were repaid and pointed to a letter she had provided from a third party collection agency which shows the Moses debt was repaid on 11 May 2020.

I agree that loans are likely to have ended. That said I still don't have end dates for each individual loan and so I've provided some clarification about how Moses should deal with this in the putting things right section below.

Moses didn't have anything to add after they'd seen my provisional 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.

Moses and Miss H 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.

Putting things right

Moses shouldn't have given Miss H loans 4 and 5.

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

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

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

C) Moses should remove all interest, fees and charges from the balance on any upheld outstanding loans, and treat any repayments made by Miss H as though they had been repayments of the principal on all outstanding loans. If this results in Miss H having made overpayments then Moses 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. Moses 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 loans. If this results in a surplus then the surplus should be paid to Miss H. However if there is still an outstanding balance then Moses should try to agree an affordable repayment plan with Miss H. Moses shouldn't pursue outstanding balances made up of principal Moses has already written-off.

E) Morses should remove any adverse information recorded on Miss H's credit file in relation to loans 4 and 5.

*HM Revenue & Customs requires Morses to deduct tax from this interest. Morses should give Miss H a certificate showing how much tax Morses has deducted, if she asks for one.

I understand that the debts on loans 4 and 5 are repaid. If this is the case then Morses would not be able to buy them back. And parts C and D of the compensation would not apply. But Morses should ensure this is the case and talk to the third party debt collection agency to ensure it can obtain the information it needs to calculate parts A and B correctly.

In this case, given the uncertainty surrounding the loan information, Morses should provide a copy of the compensation calculation and any information it has obtained about this to Miss H.

My final decision

For the reasons I've explained, I partly uphold Miss H'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 H to accept or reject my decision before 21 September 2020.

Andy Burlinson
Ombudsman