

The complaint

Mr S says Moses Club PLC lent to him irresponsibly. He says that it didn't carry out proper checks before lending. If it had done it would've seen that he would struggle to repay the loans and it shouldn't have approved them.

What happened

This complaint is about three home collected loans Moses provided to Mr S between October and December 2019. I've put some of the information I have been provided in the table below.

loan number	date started	amount borrowed	total repaid	date ended
1	03/10/2019	£200	£250	14/05/2020
2	15/12/2019	£200	£90	14/05/2020
3	27/12/2019	£70	£30	14/05/2020

Moses looked at Mr S' complaint and said that it should be upheld. It offered to refund all of the interest and fees that Mr S had paid on the loans. This left Mr S with an outstanding capital balance to be repaid. Mr S doesn't think he should repay any of the money he borrowed as the loans were mis-sold.

Our adjudicator looked at the offer made and thought it was fair and reasonable. He didn't uphold Mr S' complaint about the remaining balance he needed to repay. Mr S disagreed with the adjudicator's opinion.

As no agreement has been reached 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 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 S 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.

Morses has accepted that it shouldn't have approved these loans. Because of this I don't think there is any ongoing disagreement about this. So, I'll only consider whether what Morses has done to put things right is fair and reasonable.

The purpose of any compensation should be to put Mr S back in the position he would be in had Morses not lent to him irresponsibly. So, I think it's fair that Mr S receives a refund for any interest and charges he paid, as he wouldn't have paid them. The offer Morses has agreed to make refunds the interest and fees Mr S paid, plus interest, on loan 1. He didn't pay any interest or fees on loans 2 and 3.

And I think it is reasonable that Mr S repays the principal that is lent, as Mr S would have had the use of this money. The information I have, shows that an outstanding principal balance remains on the last two loans as in the table above. That is Mr S has repaid less than he borrowed. So it therefore follows that it's reasonable for Morses to use the refunded interest and fees to repay any remaining principal balance that remains.

After the refund is applied an outstanding balance will remain so I'd suggest that Mr S and Morses come to a mutually agreeable repayment plan. And I would remind Morses of its obligation to treat Mr S fairly.

Morses should ensure the statements it provides are accurate as it seems to have made some errors in the past. I understand these have now been rectified.

Putting things right – what Morses needs to do

If Mr S accepts this decision that Morses should implement the offer it has made to him.

My final decision

For the reasons set out above, I don't uphold Mr S' complaint about not paying anything further towards the loans.

Morses Club PLC should put things right by doing what I've said above, that is pay the offer it has already made.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 19 November 2020.

Andy Burlinson
Ombudsman