

The complaint

Mr G says Morses Club PLC lent to him irresponsibly.

What happened

This complaint is about a number of home-collected loans Morses Club provided to Mr G between December 2015 and June 2016. The information I've been provided with about the lending is in the table below:

Loan	Date advanced	Amount	Term / repayment
1	02/12/15	£200	20 weeks £15
2	16/03/16	£200	20 weeks £15
3*	23/06/16	£200	20 weeks £15
4**	23/06/16	£200	20 weeks £15
5**	23/06/16	£200	20 weeks £15

**Loan 3 was granted, drawn and repaid on the same day. It seems to be a duplicate of loan number 5. So, I have discounted loan 3 as it didn't really exist. **Loans 4 and 5 were taken on the same day. The terms are different but again, this seems to be a single loan. Essentially there were 3 lending 'events', in December 2015, March 2016 and June 2016.*

One of our adjudicators looked into the complaint and said they thought it shouldn't be upheld. Mr G asked for an ombudsman's final 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.

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. I've followed this approach when thinking about Mr G's complaint.

Morses Club 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 that Mr G could repay all the loans he was given in a sustainable manner. These checks ought to have taken into account a range of different factors, such as the amounts being lent, the total 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. However, certain factors might point to the fact that Morses Club should have fairly and reasonably 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 or pattern of lending itself clearly demonstrates that the lending was unsustainable. So, Morses Club was required to establish whether Mr G could sustainably repay his loans; not just whether the loan payments were affordable on a strict pounds and pence calculation.

Morses Club told us it carried out certain affordability and credit checks before agreeing to lend to Mr G. I've thought about this and I've also looked at the overall pattern of lending history to him with a view to seeing if there was a point at which it should reasonably have seen that further lending was unsustainable, or otherwise harmful.

As I've said, this is essentially about 3 lending events with each loan being taken out upon the previous one being repaid. And in each of these I've noted what Mr G told Morses Club about his income. He said he earned between £1,040 and £1,387 per month after tax and he also set out what his outgoings amounted to. Based on the information Mr G himself provided I think all 3 loans were within his ability to repay. In coming to that conclusion I've also thought about the amount he was asking to borrow and what the repayments were per week / month.

Another consideration I've borne in mind is what I've said above about the length of the lending relationship; I think the checks which Morses Club most likely carried out appear to have been relatively basic ones and they would have exposed some, but by no means all, of Mr G's overall financial profile. Nevertheless, I think these types of check were proportionate for the particular loans in question.

In summary therefore, I accept that it's possible that Mr G was experiencing wider financial hardship at the time of taking out these loans. However, his borrowing with this particular business was at the earlier stages of the relationship. I think the moderate amounts being borrowed – and what the business would have reasonably assumed Mr G's situation to be – would have made all the loans look sustainable. I'm therefore not upholding Mr G's complaint. I'm very sorry to disappoint him.

My final decision

For the reasons given, I do not uphold Mr G's complaint. Morses Club PLC doesn't need to pay anything back to him. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 13 November 2020.

Michael Campbell
Ombudsman