

The complaint

Mr O says Morses Club PLC irresponsibly lent to him.

What happened

This complaint is about one home credit loan Morses provided to Mr O in November 2019. Mr O's loan was for £300, repaid in instalments of £15 per week. At the time of writing this decision the loan remains outstanding.

Our adjudicator didn't uphold Mr O's complaint and thought Morses' checks for the loan went far enough. Mr O disagreed and asked for his complaint to be passed to an ombudsman for review. He didn't think Morses' checks went far enough – and had it done proportionate checks it would have found he was struggling financially.

As Mr O asked for an ombudsman's review, 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 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 Mr O could repay the loans in a sustainable manner. These checks could consider several different things, such as how much was being lent, the repayment amounts and the consumer's income and expenditure. 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 level of income);
- the *greater* the number and frequency of loans, and the longer the period 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 the arguments, evidence and information provided in this context and what this all means for Mr O's complaint. Having done this, I'm not upholding the complaint. I'll explain why.

Mr O disagreed with the adjudicator's view because he thought Morses' checks didn't go far enough, and it should have been aware that he was struggling financially. So, it shouldn't have lent to him.

Morses has told this service about the checks it carried out before approving the borrowing. It has said it asked Mr O about his employment status and he confirmed he was employed and had a weekly income of around £300. Morses also checked Mr O's normal weekly living costs. Mr O declared these as £134 per week. And even though he had to make weekly repayments, the highest combined weekly repayment would have appeared affordable based on the information he had declared to Morses. So there doesn't appear to be anything in that information that ought to have prompted Morses to do further checks.

Mr O has provided a copy of his credit report and this shows that at the time he took out this loan he had several defaults and outstanding debts. He was also in a few debt management plans. But this was Mr O's first loan with Morses so I wouldn't have expected Morses to carry out more detailed checks at such an early stage in the borrowing relationship. So Morses wouldn't have been aware of Mr O's financial difficulties.

So, I think it was reasonable of Morses to have relied on what Mr O told it. I think these factors had an impact on what level of checks would have been appropriate for Morses to carry out. Given these, I think the checks Morses did before lending the loan went far enough and the checks it carried out showed the loan was affordable. So, I wouldn't have expected Morses at this stage to undertake any more in-depth checks.

The information Mr O declared to Morses at the time of taking the loan out may not have been an accurate reflection of his financial circumstances, but I think Morses was entitled to rely on that information. At this stage of the lending relationship, and what Morses knew about Mr O, I wouldn't have expected Morses to verify the information Mr O gave it. This therefore means, I can't say that Morses have done something wrong in lending to Mr O.

I appreciate that Mr O has put a lot of time and effort into his complaint and my findings are likely to disappoint him. But I hope my explanation will help him understand why I've reached this conclusion.

My final decision

I don't uphold Mr O's complaint and make no award against Morses Club PLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 3 February 2021.

Claire Marchant-Williams
Ombudsman