

The complaint

Mr C complains Morses Club PLC (“Morses Club”) lent to him irresponsibly.

What happened

Mr C took four home collected loans between October 2015 and July 2016. I’ve included some of the information we’ve received about these loans from Morses in the table below.

Loan Number	Loan Amount	Received Date	Actual Repayment Date
1	£200	23/10/2015	22/01/2016
2	£400	22/01/2016	12/07/2016
3	£200	29/04/2016	*
4	£400	12/07/2016	*

*I understand Morses Club has sold the outstanding balance for loans 3 and 4 to a third party. Mr C has told us that he subsequently repaid both loans.

Our adjudicator didn’t think it was wrong of Morses to have granted the home collected loans. He thought that the checks completed by Morses Club for each loan were proportionate and from what he could see it wasn’t irresponsible to lend.

Mr C disagrees with the adjudicator’s assessment. Mr C feels his loans shouldn’t have been lent. In summary, he has said that:

- the loans were not affordable as some went to a debt collector;
- his bank statements show the amount of outstanding credit he was paying for;
- Mr C’s outgoings were high because of his credit commitments;
- Morses is getting away with preying on a vulnerable customer.

As no agreement has been reached, the case has been passed to me for a 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.

Morses Club had to assess the lending to check if Mr C could afford to pay back the amounts he’d borrowed without undue difficulty. It needed to do this in a way which was proportionate to the circumstances. Morses Club’s checks could have taken into account a number of different things, such as how much was being lent, the size of the repayments, and Mr C’s income and expenditure.

With this in mind, I think in the early stages of a lending relationship, less thorough checks might have been proportionate. But certain factors might suggest Morses Club should have done more to establish that any lending was sustainable for Mr C. These factors include:

- Mr C having a low 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 amounts to be repaid being especially high (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- Mr C having a large number of loans and/or having these loans over a long period of time (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable);
- Mr C coming back for loans shortly after previous borrowing had been repaid (also suggestive of the borrowing becoming unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable for Mr C.

Morses Club was required to establish whether Mr C could *sustainably* repay his instalment loans – not just whether he technically had enough money to make his repayments. Having enough money to make the repayments could of course be an indicator that Mr C was able to repay his loans sustainably. But it doesn't automatically follow that this is the case. The Financial Conduct Authority (the industry regulatory) says in the Consumer Credit Sourcebook ("CONC") that payments are sustainable if they are made without undue difficulties and in particular, made on time, while meeting other reasonable commitments and without having to borrow to make them. If a lender realises, or ought reasonably to have realised, that a borrower won't be able to make their repayments without borrowing further, then it follows that it should conclude those repayments are unsustainable.

I've considered all the arguments, evidence and information provided in this context, and thought about what this means for Mr C's complaint.

loans 1 and 2

Loan 1 (£200) was due to be repaid through 20 weekly instalments of £15. Mr C declared a weekly income of £372 and weekly expenditure of £324 for rent/mortgage, other loans repayments, utility bills, food and transport. Loan 2 (£400), lent on the same day that loan 1 was repaid, was due to be repaid over 33 weekly instalments of £20. At this time Mr C declared a higher income (£445) and fewer expenses (£145).

Considering the level of lending and it being early in the lending relationship, I think the checks for these two loans went far enough. And based on what Mr C said about his income and expenditure, I'm satisfied that each loan would've seemed affordable and sustainable to Morses.

Morses Club also carried out a credit check although I understand it hasn't kept a copy of the results. Mr C has been able to provide a copy of a recent credit report. The information a consumer might see though, when they request a copy of their credit file, might be very different to that seen by a lender at the time of application. A lender might only see a small portion of the credit file, or some data might be missing or anonymised, or the data might not be up to date.

But having considered the information I can see in the report Mr C has provided, I don't think there is anything which would've affected Morses Club's lending decision. I can see that

Mr C did have some significant difficulties, for example there are defaulted accounts. But this was after all his loans were lent. There are also records of missed payments and a payment arrangement, but again, these were applied after the loans were agreed. So, overall, I don't think it was wrong for Morses Club to have provided these loans to Mr C.

loans 3 and 4

I appreciate Mr C was unable to repay these loans on time and they were referred to a third party to collect. From what I can see, Mr C's repayment difficulties didn't arise until December 2016. So, when he applied for loans 2, 3 and 4, his repayment history at that time wouldn't, of itself, have alerted Morses Club to question whether it should continue to lend or complete additional checks. Mr C hadn't, for example, defaulted on the loans, paid any late fees or been unable to make regular payments before each lending decision was made.

Overall, I've not seen quite enough evidence to indicate that Morses Club ought to have built up a more detailed picture of Mr C's finances for loans 3 or 4. As I've said, his repayment history for the first two loans wasn't concerning and it was still relatively early in the lending relationship. Morses Club had also asked Mr C about his other loans and other outgoings, so he'd been given the opportunity to declare expenses for all his credit commitments.

For these two loans, the income and expenditure that Mr C declared left him with a disposable income of around £186 to £317. So, I think the weekly instalments (with a highest combined repayment of £30) would've seemed affordable and sustainable.

I'm sorry to hear that Mr C was struggling financially and repaying these loans has proved difficult. And I accept that Mr C's full financial circumstances may not have been reflected in either the information he provided, or the other information Morses Club may have seen in its credit checks. And it might be that Mr C's actual financial position may well have been apparent if further information – such as bank statements – had been obtained.

But I don't think it had yet reached the point either in the lending relationship or based on what Morses Club knew about Mr C, that meant it needed to verify the information. So, I don't think that it could or should have known that Mr C was having financial difficulties at the time.

It is of course possible that, had Mr C continued to borrow from Morses Club, then it may have needed to have carried out further, more in-depth, checks which may have involved asking for evidence of his financial position. But considering Mr C took four loans and these appeared affordable, I don't think Morses Club was wrong to have provided them.

As this is the case, I'm not upholding Mr C's complaint about these loans. I appreciate this will be disappointing for Mr C. But I hope that he'll understand why I've reached the findings that I have.

My final decision

For the reasons I've explained above, I'm not upholding Mr C's complaint

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 23 February 2021.

Robert Walker
Ombudsman