DRN-2504063

The complaint

Mrs S has complained that Morses Club PLC ("Morses Club") lent to her irresponsibly.

What happened

Mrs S took five loans from Morses between June 2017 and December 2018. A summary of her borrowing, based on the information provided to us from the lender, can be found below:

Loan	Date Taken	Date Repaid	No of Weekly Instalments	Amount Borrowed	Max Weekly Repayment
1	08/06/2017	31/07/2017	33	£300.00	£15.00
2	17/10/2017	09/02/2018	33	£300.00	£15.00
3	30/05/2018	10/09/2018	33	£590.00	£29.50
4	06/12/2018	sold	33	£500.00	£25.00

The most recent correspondence from Morses shows there is an outstanding balance on Mrs S' last loan which was sold to a third party in October 2019.

One of our adjudicators looked at Mrs S' complaint. The adjudicator thought Morses's checks were proportionate and the loan repayments appeared affordable. So, he didn't think Morses were wrong to approve Mrs S' loans.

It seems Morses agreed with our adjudicator's opinion.

Mrs S disagreed with the assessment and provided the following points to consider;

- Mrs S had around eight defaults on her credit file when she applied for her loans;
- Her credit file showed multiple missed payments and loans that were taken out in a short period of time; and
- Mrs S was struggling, and she feels Morses took advantage of her.

As no agreement could be reached the complaint 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.

I've also taken into account the law, any relevant regulatory rules and good industry practice at the time the facility was provided.
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 Mrs S could repay these 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 consumer'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 Mrs S' complaint.

Mrs S' loans were repayable in 33 weekly instalments. The amounts that she needed to repay each month were smaller than if she'd taken a traditional payday loan. But she had to make those repayments over a longer timeframe. So, I've considered the total amount that Mrs S needed to repay to Morses every month, and if she could sustain the repayments.

Morses carried out an income and expenditure check before approving each of Mrs S' loans. It also completed a credit check when Mrs S applied for her first loan and income validation checks during Mrs S' applications for loans 3 and 4.

When Mrs S applied for her first loan, she declared she was employed with a weekly income of £335 and her expenditure amounted to £168 a week. After making the contractual repayment for the loan, this would've left Mrs S with a disposable weekly income of £152.

It appears that Mrs S' main complaint is about the information showing on her credit file. And that Morses should've seen that she had a number of defaulted accounts, missed repayments and loans with other lenders and it shouldn't have lent.

As I have explained, Morses Club only completed a credit check at the time of Mrs S' first loan application. It has provided the results of her credit check with a Credit Reference Agency (CRA). This shows Mrs S had no County Court Judgements and was not in an insolvency arrangement. The results do show that Mrs S had two defaulted accounts, with one account defaulting within the six months before the loan was approved.

But having considered all of the information Morses were presented with, I don't think it ought to have given it cause for concern. I say this because the type of lending Morses provided is usually for consumers who are unable to borrow from high street lenders. So, it's not unusual for a lender to see adverse information on a customer's credit file, including defaulted accounts. There was no other information which I think suggested Mrs S could not meet her contractual repayments or was struggling financially. For example, there wasn't a high number of defaults and there wasn't any evidence, based on what Morses were provided with, to suggest that Mrs S was a regular user of payday loans or other forms of high cost credit. So, I don't think it was unreasonable that Morses decided to lend.

Mrs S went on to apply for her second loan around two and a half months after repaying loan 1. She declared a slightly higher weekly income of £350 and that her weekly expenditure had decreased to £149 leaving her with a disposable income of around £201 from which to meet the repayments of no more than £15 a week. So, I think the repayments would have appeared affordable to the lender, especially as Mrs S had shown no repayment problems when repaying her first loan.

Mrs M then took a further two loans over the course of the next year. Although the loan amounts increased slightly, I still think Morses carried out proportionate checks when these loans were approved. And, based on the checks that Morses carried out, it could see these loans were affordable to Mrs S. So, I don't think Morses made an error when it approved loans 3 and 4.

I'm sorry to hear that Mrs S was struggling financially and repaying these loans has proved difficult. And I accept that Mrs S' full financial circumstances may not have been reflected in the information the lender gathered. It's clear to see from Mrs S' full credit file which she provided that she had a lot of adverse information around the time she was applying for these loans.

But Morses did complete a credit check at the time of loan 1, and it was provided with information suggesting she could sustain the loan repayments. There are a number of reasons why the credit checks may not have reflected Mrs S' full circumstances, including which CRA lenders report to, and when the CRAs update their own reports. It might be that Mrs S' full financial position may well have been apparent if further information, such as bank statements, had been obtained.

But I don't think it had reached the point either in the lending relationship, or based on what Morses knew about Mrs S, that meant it needed to verify the information she declared about her circumstances – such as checking her income and expenditure.

Mrs S was approved these loans early on in the relationship with the lender, and there wasn't anything in the information Mrs S provided at the time of these loans which should have given the lender cause for concern.

So, I don't think Morses Club were wrong to approve any of Mrs S' loans.

My final decision

For the reasons I've explained above, I'm not upholding Mrs S' complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 13 May 2021.

Robert Walker
Ombudsman