

## The complaint

Mrs B (by way of a representative) complains Morses Club PLC (“Morses Club”) lent to her irresponsibly.

## What happened

Our adjudicator thought the complaint should be upheld. Morses Club disagreed with the adjudicator’s opinion. The complaint was then passed to me.

I issued my provisional decision explaining the reasons why I wasn’t intending to uphold Mrs B’s complaint. A copy of the background to the complaint and my provisional findings follow this and form part of this final decision.

## What I said in my provisional decision:

*Mrs B took two home collected loans between September 2017 and March 2018. I’ve included some of the information we’ve received about these loans in the table below.*

Loan Number	Loan Amount	Date of loan	Actual Repayment Date
1	£200	14/09/2017	19/02/2018
2	£300	14/03/2018	06/12/2019

*The adjudicator said that Morses Club should have completed further checks before lending. But based on the checks it did complete, he felt Morses Club ought to have known that Mrs B wouldn’t be able to repay either of the loans sustainably. So, the adjudicator said it was wrong to have granted both home credit loans.*

*Morses Club disagrees with the adjudicator’s assessment. It said its checks went far enough and indicated the loans would be affordable and sustainable. In summary, Morses Club has said that:*

- *Mrs B’s weekly income and expenditure indicated she had a disposable income for loan 1 of £27 per week;*
- *for loan 1 it assessed the application based on an income of £155 per week which was verified with a wage slip - and although Mrs B declared a higher level of income, it didn’t use this as part of its assessment;*
- *for the second loan it was able to verify all of Mrs B’s income;*
- *the verified income for loan 2 was consistent with the unverified income for loan 1;*
- *the verified income for loan 2 of £318 left Mrs B with disposable income of £108 which meant she could meet the same repayment as the first loan (£15);*
- *it wasn’t aware that at the point of sale that Mrs B’s ability to make repayments might subsequently change.*

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

## What I’ve provisionally 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 the relevant rules, guidance and good industry practice - on our website. Thinking about the relevant rules and regulations I'm intending to not uphold Mrs B's complaint and I've explained why below.*

*Morses Club had to assess the lending to check if Mrs B could afford to pay back the amounts she'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 Mrs B'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 Mrs B. These factors include:*

- Mrs B 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);*
- Mrs B 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);*
- Mrs B 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 Mrs B.*

*Morses Club was required to establish whether Mrs B could sustainably repay her home loans – not just whether she technically had enough money to make her repayments. Having enough money to make the repayments could of course be an indicator that Mrs B was able to repay her loans sustainably. But it doesn't automatically follow that this is the case.*

*The Financial Conduct Authority's (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 Mrs B's complaint.*

#### *loan 1*

*Loan 1 (£200) was due to be repaid through 20 weekly instalments of £15. Mrs B declared an income of £334 per week made up of wages (£155) together with benefit payments and other income (£179). As Morses Club could only verify the wages declared it didn't use the benefit and other income as part of its assessment. It therefore assessed Mrs B application on a weekly income of £155.*

*Morses Club also asked Mrs B about her expenditure, such as her commitments for rent/mortgage, credit cards, other credit, other loans, council tax and transport. Considering the expenditure declared by Mrs B of £128, this left a disposable income of £12 per week after the weekly loan payment of £15.*

*The adjudicator thought £12 per week was a limited amount to cover any additional or unforeseen costs. So, he thought Morses Club ought to have realised it was unlikely Mrs B would've been able to sustainably repay loan 1 or any subsequent loan.*

*Whilst Morses Club could only verify an income of £155 for loan 1, this isn't to say Mrs B's income wasn't what she declared. As Morses Club has pointed out, when loan 2 was lent the verified income appeared to be consistent with what Mrs B declared for loan 1. I can also see from information obtained from Mrs B's representative as part of the complaint submission that Mrs B recalls her income as being higher than £155 when loan 1 was lent.*

*So, I think it's unlikely that the overall income Mrs B declared for loan 1 was inaccurate.*

*I've also thought about what the adjudicator has said about the £12 buffer available to Mrs B based on an income of £155. This was a weekly amount and each month would've left Mrs B with around £50 for unexpected expenses.*

*But based on what Morses Club knew about Mrs B's likely expenditure and as I think that the income Mrs B declared was most likely accurate, I don't think Morses Club was wrong to lend because the loan repayments over 20 weeks would likely be sustainable.*

*Considering the level of lending, the loan term and it being the first loan, I also think the checks for loan 1 went far enough. I've not seen quite enough evidence to indicate that Morses Club ought to have built up a more detailed picture of Mrs B's finances, such as verifying everything it was told or completing a full review of her finances.*

## *loan 2*

*Loan 2 (£300) was taken out almost a month after the repayment of loan 1. I can see that Mrs B didn't always repay loan 1 weekly as scheduled, but she did make regular payments each month and overall there didn't seem to be any difficulty repaying the loan.*

*For loan 2 Mrs B declared an income of £318 per week which I understand was verified by Morses Club through credit reference checks. So, considering the expenditure declared by Mrs B for this loan of £210, this left a disposable income of £108 per week after making the weekly repayment of £15.*

*Overall, I don't think it was unreasonable for Morses Club to lend as repayment for the loan would've seemed affordable and sustainable for Mrs B.*

*I'm sorry to hear that Mrs B was struggling financially and repaying these loans has proved difficult. And I accept that Mrs B's full financial circumstances may not have been reflected in the information she provided. And it might be that Mrs B'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 reached the point either in the lending relationship or based on what Morses Club knew about Mrs B, that meant it needed to verify the information Mrs B provided – such as checking her expenditure. So, I don't think that it could or should have known that Mrs B may have been having financial difficulties at the time it lent either loan.*

*There also doesn't appear to have been any information that would have alerted Morses*

*Club to a subsequent change in Mrs B's financial position which might have affected her ability to repay either loan.*

*It is of course possible that, had Mrs B 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 her financial position. But considering Mrs B took two 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 intending to uphold Mrs B's complaint about these loans. I appreciate this will be disappointing for Mrs B. But I hope that she'll understand why I'm intending to reach these findings.*

### **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.

Morses Club told us it didn't have any new comments or information for me to consider. Mrs B's representative also didn't provide anything new for me to consider.

I've therefore reached the same outcome as I did in my provisional decision for the same reasons. So I still don't think Morses Club made an error when it provided Mrs B with her loans.

### **My final decision**

For the reasons I've explained above and in my provisional decision, I'm not upholding Mrs B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 3 March 2021.

Robert Walker  
**Ombudsman**