

The complaint

Mr P complains that Morses Club PLC lent to him irresponsibly.

What happened

Mr P has explained that he took many loans with a company called Shopacheck which was eventually bought by Morses Club. He continued to take loans.

Morses has explained that it knew Mr P had taken other loans but it does not have any records of them. Morses explained that the earlier twenty Shopacheck loans were '*not included in the purchase of accounts*' and so it says it was not responsible for them.

For the loan approved in August 2013, Morses has summary information only and no details surrounding the application process. It explained that the reason was because it was the subject of a complaint brought to it more than six years after it had been approved and so it was beyond its data retention period. It did give consent for us to investigate the loan approved more than six years before the complaint was brought but was not able to provide any information about it other than the basic details.

Mr P has explained the very poor financial state he was in during the lending period and we are sorry to hear of it. However, Mr P does not have any records about the lending which includes - no copy agreements, no credit file that covers his period of lending with Shopacheck or Morses and no bank statements which might have demonstrated some or all the loans. And the three about which Morses has limited records are the ones which have been assessed. So, there is very limited information from both parties.

The three loans about which Morses has sent us information are set out in a loan table here.

Loan	Approved	Amount	Term	Repayment amount	Declared income (expenditure)	Repaid
1	7 August 2013	£875	50 weeks	No info	No info	12 June 2014
2	20 June 2014	£400	50 weeks	£14 – actually paid £20	£200 weekly (£80)	10 February 2015
3	10 February 2015	£500	50 weeks	Around £20	£180 weekly (£50)	11 February 2016

One of our adjudicators looked at these three loans as they are the only ones we have any information on and he thought that by the third one approved in February 2015 Morses ought to have realised that Mr P was not able to continue to take further loans.

Morses disagreed with the adjudicator's opinion. It said that the loan amounts hadn't increased significantly. There were no repayment problems until about seven months into Loan 3's term of lending.

As no complaint resolution has been reached 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 P 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 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.

And the loan payments being affordable on a strict pounds and pence calculation might be an indication a consumer could sustainably make their repayments. But it doesn't automatically follow this is the case. The industry regulator defines sustainable as being without undue difficulties and, the customer should be able to make repayments on time, while meeting other reasonable commitments; as well as without having to borrow to meet the repayments. And it follows that a lender should realise, or it ought fairly and reasonably to realise, that a borrower won't be able to make their repayments sustainably if they're unlikely to be able to make their repayments without borrowing further.

I've decided to uphold Mr P's complaint in part and have explained why below.

Mr P has disagreed with what the adjudicator has said in relation to Loans 1 and 2, but he has not been able to send us any evidence of the loans or any credit file or bank statements for any of the lending period. I think that Mr P has had time to obtain the records and I know that he was originally asked for these items in or around September 2020.

Mr P continues to refer to an earlier complaint about an issue surrounding Morses' reminder notes posted into individuals' homes. But as that was resolved in or around 2016 and did not relate to irresponsible lending it's not relevant to this complaint.

Mr P makes several points about the way the agent(s) acted and dealt with the applications for loans which includes, pointing out handwriting differences, saying that the figures for income and expenditure did not reflect the correct sums, the agent's knowledge about Mr P's difficulties and that he was always offered new loans rather than repayment plans. As there's no, or not enough, evidence to substantiate any of these elements of Mr P's complaint I have made no findings on them. I realise Mr P will be disappointed but I can't review and decide on information and evidence that is not before me.

I haven't recreated individual, proportionate affordability checks for loan 3 because I don't think that it is necessary to do so. I've looked at the overall pattern of Morses' lending history with Mr P, with a view to seeing if there was a point at which Morses should reasonably have seen that further lending was unsustainable, or otherwise harmful. And so Morses should have realised that it shouldn't have provided any further loans.

Given the circumstances of Mr P's case, I think that this point was reached by loan 3. I say this because:

- At this point he had been indebted to Morses for at least 18 months; and
- Mr P's first loan about which we have brief information was £875 and Loan 3 was for £500. So, the amount Mr P was borrowing had reduced but he had been indebted to Morses for a significant time and was going to be indebted for a further 50 weeks; and
- at this point Morses ought to have known that Mr P was likely borrowing to meet an ongoing and increasing need. And this indicates his problems may have been worsening; and
- because of these factors, Morses ought to have realised it was more likely than not Mr P's indebtedness was unsustainable.

Morses says that it thinks the checks it did were enough to show the lending was affordable. But I think the lending pattern itself shows the loans weren't sustainable.

I think that Mr P lost out because Morses continued to provide borrowing at Loan 3 because:

- It had the effect of unfairly prolonging Mr P's indebtedness by allowing him to take expensive credit over a long period of time and
- the length of time over which Mr P borrowed was likely to have had negative implications on Mr P's ability to access mainstream credit and so kept him in the market for these high-cost loans.

I'm upholding the complaint about loan 3 and Morses should put things right.

Putting things right

In deciding what redress Morses should fairly pay in this case I've thought about what might have happened had it stopped lending to Mr P at loan 3, as I'm satisfied it ought to have. Clearly there are a great many possible, and all hypothetical, answers to that question. For example, having been declined this lending Mr P may have simply left matters there, not attempting to obtain the funds from elsewhere – particularly as a relationship existed between him and this lender which they may not have had with others. If this wasn't a viable option, they may have looked to borrow the funds from a friend or relative – assuming that was even possible.

Or, they may have decided to approach a third-party lender with the same application, or indeed a different application (i.e. for more or less borrowing). But even if they had done that, the information that would have been available to such a lender and how they would (or ought to have) treated an application which may or may not have been the same is impossible to now accurately reconstruct. From what I've seen in this case, I certainly don't think I can fairly conclude there was a real and substantial chance that a new lender would have been able to lend to Mr P in a compliant way at this time.

Having thought about all these possibilities, I'm not persuaded it would be fair or reasonable to conclude that Mr P would more likely than not have taken up any one of these options. So, it wouldn't be fair to now reduce Morses' liability in this case for what I'm satisfied it has done wrong and should put right.

Morses shouldn't have given Mr P loan 3.

A) Morses should add together the total of the repayments made by Mr P towards interest, fees and charges on these loans, including payments made to a third party where applicable, but not including anything it has already refunded.

B) Morses should calculate 8% simple interest* on the individual payments made by Mr P which were considered as part of "A", calculated from the date Mr P originally made the payments, to the date the complaint is settled.

C) Morses should pay Mr P the total of "A" plus "B".

D) The overall pattern of Mr P's borrowing for loan 3 means any information recorded about it is adverse, so it should remove this loan entirely from Mr P's credit file. If Morses has sold any of the loans Morses should ask the debt purchaser to do the same.

*HM Revenue & Customs requires Morses to deduct tax from this interest. Morses should give Mr P a certificate showing how much tax Morses has deducted, if he asks for one.

My final decision

My final decision is that I uphold Mr P's complaint in part and Morses Club PLC should do as I have directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 20 April 2021.

Rachael Williams
Ombudsman