

## The complaint

Miss B complains that Morses Club PLC lent to her irresponsibly. Miss B is represented by a third party.

## What happened

Using information from Morses, here is a brief loan table of the approved loans.

| <i>loan</i> | <i>date taken</i> | <i>date repaid</i> | <i>amount borrowed</i> | <i>term</i> |
|-------------|-------------------|--------------------|------------------------|-------------|
| 1           | 11/08/2016        | 06/12/2016         | £200                   | 20w         |
| 2           | 06/12/2016        | 12/04/2018         | £200                   | 33w         |
| 3           | 15/02/2017        | 03/10/2017         | £100                   | 20w         |
| 4           | 09/05/2018        | 11/12/2018         | £100                   | 33w         |
| 5           | 25/07/2018        | 20/03/2019         | £100                   | 20w         |
| 6           | 20/03/2019        | 15/11/2019         | £100                   | 33w         |

One of our adjudicators looked at the complaint and thought that Morses should put things right for Miss B in relation to loans 4 to 6. Her reasoning was that it was due to repeat lending and unsustainability of the loans.

Morses did not agree and said that *“Morses issued 6 loans in 31 months, 2 in 2016, 1 in 2017, 2 in 2018 and 1 in 2019 for £100-£200 and with small payments and this does not show irresponsible lending or a reliance on credit.”*

The complaint remained unresolved and was passed to me for a decision. I issued a provisional decision on 18 May 2021 in which I explained that the outcome for Miss B was the same, but for different reasons. Both parties had until 1 June 2021 to respond. That provisional decision is set out in this final decision. Its differentiated by italics.

Morses has acknowledged receipt of my earlier decision and said no more. Miss B’s representative has said it has received the provisional decision and it is waiting for Miss B’s response. I explain in this final decision why I think its right to issue this now.

## 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 Miss B could repay the loans in a sustainable manner.

These checks could consider 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 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.

### ***My provisional decision findings dated 18 May 2021***

*I've provisionally decided to uphold Miss B's complaint in part and have explained why below. My reasoning is a little different to that of our adjudicator's. The outcome is substantially the same and the redress only slightly different then I have issued a provisional decision with a short 'reply time' date.*

*Miss B didn't disagree with our adjudicator's opinion about loans 1 to 3. Because of this I don't think they are in dispute and so I have not reviewed them. I have looked at the details of loans 1 to 3 as they form part of the lending relationship with Miss B.*

*The information I have from Miss B includes detailed bank statements from around March 2018 and a personal credit file report dated 20 August 2020. These have helped me to determine factual details on which I have based my provisional decision.*

*Loans 1 to 3 covered the period during which Miss B took slightly larger loans from Morses. And Loan 2 was taken straight after loan 1, and loan 3 overlapped with loan 2 for about eight months. When loan 2 was repaid after loan 3 on 12 April 2018 then there was a small period when Miss B was not in debt to Morses.*

*However, some detail I have discovered from the bank statements and the credit file leads me to think that by the time Miss B returned for a further loan in May 2018 (loan 4) then a full financial review of her circumstances ought to have been carried out.*

*I say this because Miss B had been borrowing from Morses for a long time by then, and it had reported to the credit reference agencies (and it was recorded on her file) that she was in arrears for loans 2 and 3 from May and June 2017 and continually throughout 2017 when*

*she was trying to repay loans 2 and 3 together. Added to which Miss B was a low income earner in my view: her employment combined with her benefits meant that she earned about £690 a month and clearly had dependants.*

*One way to carry out that financial review would have been to have reviewed her bank statements. From those it was easy to see that Miss B*

- had regular (fortnightly and monthly) repayments to two other home credit providers;*
- had a tax bill to repay at £10 a month; and*
- was repaying a debt collector at £10 each fortnight; and*
- had other regular credit commitments including a telephone contract, and a well known provider of household goods for a rental sum.*

*This detail, combined with what Moses knew about her struggle to repay loans 2 and 3 (and I know that as it had reported on her credit file that she was in arrears for most of 2017), leads me to think that Moses were wrong to lend to her from May 2018 (loan 4).*

*And if Moses, as part of the full financial review I think ought to have taken place at that time, had gone further and had carried out a credit search at that stage, then I think it highly likely it would have seen all the items reflected in her bank statements on her credit file, together with a history of a debt recovery order, a County Court Judgement (both from 2014) and a telecom contract default from December 2016. And one of the other home credit lenders had marked her as being in arrears with it for most of 2017.*

*So, not for repeat lending reasons, but simply because of Miss B's low income and poor credit record with Moses and in general, and her other debt commitments, all point towards Moses having lent irresponsibly when it extended her indebtedness for a further 33 weeks in May 2018. I plan to uphold Miss B's complaint for Loan 4 and the loans which follow it.*

### ***My final decision***

Moses has not added anything further. And Miss B has not responded within the 1 June 2021 reply deadline period. Having thought about this, considering the outcome for Miss B is the same as that given by our adjudicator then my provisional decision made little difference to her complaint. So, despite her non-reply, I've decided that it's appropriate to issue this final decision now. The complaint has been ongoing for some time (since October 2020 at least) and a resolution is required to draw the matter to a close.

My final decision is that I uphold Miss B's complaint in relation to loans 4 to 6 for the same reasons in my provisional decision which are duplicated in this decision and form part of it.

### **Putting things right**

In deciding what redress Moses should fairly pay in this case I've thought about what might have happened had it stopped lending to Miss B from loan 4, 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 Miss B may have simply left matters there, not attempting to obtain the funds from elsewhere – particularly as a relationship existed between him and this particular 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 Miss B 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 Miss B 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.

My decision is that Morses shouldn't have approved loans 4 to 6 for Miss B. I understand that there is no outstanding balance.

A) Morses should add together the total of the repayments made by Miss B 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 Miss B which were considered as part of "A", calculated from the date Miss B originally made the payments, to the date the complaint is settled.

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

D) Morses needs to amend Miss B's credit file to remove any adverse payment record for loans 4 to 6.

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

### **My final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 1 July 2021.

Rachael Williams  
**Ombudsman**