

The complaint

Mr G complains Morses Club PLC (Morses) lent to him irresponsibly.

What happened

Mr G took three home credit loans between December 2016 and May 2017. I've included some of the information we've received about these loans in the table below.

Loan Number	Loan Amount	Date of loan	Term (weeks)	Repayment Date
1	£300	13/12/2016	33	31/05/2017
2	£300	06/03/2017	33	written off
3	£300	31/05/2017	33	written off

Morses says that it was told Mr G entered into a Individual Voluntary Arrangement (IVA) in August 2017 and this IVA was terminated in 2019. But, Morses has told us that it hasn't and won't start collection of the outstanding balance due.

Our adjudicator didn't think it was wrong for Morses to have granted the loans. He thought the checks Morses completed went far enough and the loans would have seemed affordable and sustainable. So, he didn't think it was wrong for Morses to have approved any of the loans.

Mr G disagreed with the adjudicator's findings and asked to take his complaint further.

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 irresponsible lending - including all the relevant rules, guidance and good industry practice - on our website.

Morses had to assess the lending to check if Mr G 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'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 G'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 should have done more to establish that any lending was sustainable for Mr G. These factors include:

- Mr G 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 G 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 G 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 G.

Morses was required to establish whether Mr G 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 G 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") says 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 G's complaint.

All these loans were due to repaid via 33 weekly instalments of £15. Some of these loans overlapped so the weekly commitment that Mr G was expected to make to Morses was, at times up to £30.

For each of Mr G's three loans, Morses did the same type of check. It asked Mr G to declare his income, which he declared to be between £231 - £254 a week. With outgoings of between £70 - £95 a week. Based on what Mr G declared he had a weekly disposable income of at least £118 and as high as £184. Given that the largest repayment Mr G was committed to making of £30 per week Morses could reasonably have thought that Mr G would be in a position to afford his repayments.

It also looks like, based on the income and expenditure information Morses provided that some of Mr G's expenditure was evidenced - such as utilities, when he applied for this final loan.

I also don't think it had yet reached the stage either due to the number of loans, the amount of time Mr G was in debt or any other repayment problems that may have indicated to Morses that these loans had become unsustainable for Mr G.

I accept that Mr G's full financial circumstances may not have been reflected in either the information he provided. But at this early stage of the lending relationship, I don't think it was wrong of Morses to have relied on the information it had. I also don't think Morses checks needed to go further than it did and there was nothing in the information that it obtained to suggest that Mr G was having wider financial difficulties.

Overall, considering the level of lending, the terms over which the loans were due to be repaid and the information Mr G provided to Morses, I think the checks Morses carried out were proportionate. And the checks showed it that Mr G was likely to be able to afford the

repayments that he was committed to repaying. I'm therefore not upholding Mr G's complaint about his loans so Moses doesn't have to make any amendments to his credit file.

I appreciate this will be disappointing for Mr G. 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 G's complaint and I make no award against Moses Club PLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 18 August 2021.

Robert Walker
Ombudsman