DRN-2946924

The complaint

Mr G complains, through his representative, that Morses Club PLC lent to him irresponsibly.

What happened

Using information sent to us by Morses here is a brief table of the approved loans.

Loan	Approved	amount	Rate and weeks	Repaid
1	4 May 2017	£400	£20 x 33	16 October 2017
2	16 October 2017	£500	£25 x 33	14 May 2018
3	25 January 2018	£200	£10 x 33	27 July 2018
4	14 May 2018	£600	£30 x 33	Sold to a third party
5	27 July 2018	£200	£10 x 33	Sold to a third party

Mr G has given to his representative a Claim Audit Form in which he has described what he says were his income and outgoings at the time of these loans.

Morses has sent to us what its agent gathered as information from Mr G when he was applying for the loans.

One of our adjudicators looked at the complaint and did not think that Morses needed to do anything to put things right for Mr G. He disagreed and asked that an ombudsman review it. Mr G has not sent us any additional evidence other than the Claim Audit Form.

The complaint remained unresolved and was passed to me to decide.

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 have set out our general approach to complaints about short-term lending - including all the relevant rules, guidance and good industry practice - on our website.

Morses needed to take reasonable steps to ensure that it did not lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mr G could repay the loans in a sustainable manner. These checks could include 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:

- 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 level of income);
- having many 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);
- 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.

Morses was required to establish whether Mr G could sustainably repay his loans – not just whether the loan payments were affordable on a strict pounds and pence calculation. The loan payments being affordable on this basis might be an indication a consumer could sustainably make their repayments. But it doesn't automatically follow this is the case. This is because the Consumer Credit Sourcebook ("CONC") defines 'sustainable' as being the ability to repay without undue difficulties. The customer should be able to make repayments on time, while meeting other reasonable commitments, and 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 will not be able to make their repayments sustainably if they need to borrow further in order to do that.

I have carefully considered all the arguments, evidence and information provided in this context and what this all means for Mr G's complaint.

Reviewing each of the figures given to Morses when applying for the loans, the income Mr G gave was large enough to cover his declared outgoings and other expenditure. So, each of the loans would have looked affordable to Morses. Each show income figures of around £500/£540 a week and weekly expenditure of around £229/£243. The figures vary a little across the application dates but the repayments for the loans look to have been affordable.

I appreciate that Mr G says that he could not afford these loans, but apart from his Claim Audit Form I have received nothing further from him. And the figures on that Audit Form vary so significantly from the figures given to Morses at the time of applying that I cannot accept it as evidence without verification.

So, without more from Mr G then I fall back on the contemporaneous information given at the time of application and those lead me to conclude that Mr G was able to afford the loans.

And in the early stages of a lending relationship then I think that Morses was entitled to rely on those figures. And four loans in a year at the sums I have seen approved for Mr G does not seem high. It may be that by the fifth loan I would have expected additional checks to have been carried out by Morses, but without more evidence from Mr G then I do not know what those checks might have revealed.

I do not think that Morses approved the loans irresponsibly.

I note that Mr G is represented and that his representative has been asked for additional financial information about Mr G's circumstances in 2017 to 2018 more than once, and nothing has been received.

My final decision

My final decision is that I do not uphold Mr G’s complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr G to accept or reject my decision before 11 October 2021.

Rachael Williams
Ombudsman