

## The complaint

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

## What happened

Using information provided by Morses, here is a brief table of the approved loans for Mrs T.

Loan No	Borrowed Date	Actual End Date	Term (weeks)	Amount (£) per week	Principal	Amount to be Repaid
1	16/09/15	16/03/16	34	£10	£200	£340
2	16/03/16	20/10/16	33	£15	£300	£495
3	20/10/16	20/06/17	33	£15	£300	£495
4	20/06/17	25/01/18	33	£10	£200	£330
5	25/01/18	31/01/19	33	£10	£200	£330

One of our adjudicators looked at the complaint and thought that Morses should put things right for Mrs T in relation to loans 4 and 5. Morses disagreed. The complaint remained unresolved and was passed to me to decide.

I issued a provisional decision in which I explained why I was planning not to uphold Mrs T's complaint and I invited additional comments and evidence by 3 November 2021.

Set out in the next section is a duplication of my provisional findings which are in smaller type to differentiate them. They form part of this 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 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 Mrs T 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. Our adjudicator thought this was the situation for loans 4 and 5 and I address this later in the decision.

Morses was required to establish whether Mrs T could sustainably repay her 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.

### ***My provisional decision dated 20 October 2021***

I have carefully considered all the arguments, evidence and information provided in this context and what this all means for Mrs T's complaint.

Through her representative, Mrs T has said that she thinks she started to borrow from Morses in 2013 and her loans were between £900 and £1,000. Our adjudicator looked at the complaint and carried out his adjudication on the five loans in the table set out at the beginning of this provisional decision. Neither Mrs T, her representative or Morses have provided any evidence for any loans before September 2015 (loan 1) and so I am proceeding on the basis that there are none.

And Mrs T has not disagreed with our adjudicator's view that Morses had carried out proportionate checks for loans 1 to 3 and that he did not think Morses needed to do anything to put things right for loans 1 to 3. I have not reviewed those loans and this provisional decision relates to loans 4 and 5.

Mrs T completed a Claim Audit Form which has been submitted through her representative to support her complaint. And in it is a brief explanation from Mrs T that she had the Morses loans because she could not get a bank loan. Mrs T, in that form, said that Morses had looked at her bank statement and her payslip and that the Morses representative did re-check her financial circumstances each time new borrowing was arranged. These are matters I would have expected Morses to have done before lending.

Mrs T provided information in the form about her income and her outgoings around the time of the Morses loans. The table was labelled '*Summary of client I&E declaration*' and it is duplicated here.

Total Incomings	£ 1200
Total outgoings before loan payment	£ 735
Available funds before loan payment	£ 465

It shows that even on Mrs T's own evidence she had £465 disposable income each month left. And so, I have chosen to reconsider the complaint and issue a provisional decision. If Mrs T provides further evidence about her financial circumstances I can review the complaint in two weeks, but on current evidence:

- I am not persuaded that the repetitive nature of the lending caused her harm as it seems she was able to afford the loans using both the information she gave Moses at the time the loans were approved, and her recent evidence given to us through her representative; and
- Loans 4 and 5 were smaller than loans 2 and 3 and that suggests that by reducing her borrowing and her weekly repayments this was a more affordable option for her.

On current evidence I am planning not to uphold Mrs T's complaint.

### ***How did the parties respond?***

Moses responded and had nothing further to add to the complaint. Mrs T's professional claims management company which represents her has told us that the provisional decision has been forwarded to Mrs T twice. However, no response has been sent to us.

In the circumstances, with no additional information or evidence from either party I see no reason to depart from the findings in my provisional decision. I do not uphold Mrs T's complaint.

### **My final decision**

My final decision is that I do not uphold Mrs T's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs T to accept or reject my decision before 3 December 2021.

Rachael Williams  
**Ombudsman**