

## The complaint

Mrs F says Morses Club PLC lent to her irresponsibly. She says that Morses didn't perform adequate checks before it granted her lending. And so, it wasn't appropriate to lend to her.

## What happened

This complaint is about 12 home collected loan Morses provided to Mrs F between September 2015 and April 2017.

loan number	date started	amount borrowed	term (weeks)	date ended
1	23/09/2015	£200	34	08/04/2016
2	05/02/2016	£200	20	24/06/2016
3	08/04/2016	£200	33	21/10/2016
4	24/06/2016	£200	20	21/10/2016
5	21/10/2016	£500	33	14/04/2017
6	10/02/2017	£200	33	05/02/2018
7	14/04/2017	£500	33	17/08/2018
8	17/08/2018	£240	33	08/02/2019
9	09/11/2018	£200	33	01/03/2019
10	11/01/2019	£200	33	01/03/2019
11	08/02/2019	£300	33	01/03/2019
12	29/03/2019	£200	33	outstanding

Our adjudicator partially upheld the complaint. She didn't think that Morses was wrong to have provided loans 1 to 6. But she thought that the pattern of lending itself was harmful by loan 7 and so it shouldn't have approved loans 7 to 12.

Morses agreed with what the adjudicator said. It calculated compensation in line with the adjudicator's recommendation. This was to refund the interest paid on these loans, plus interest for late payment at the rate of 8% simple. It removed any unpaid interest and charges from the final loan. It deducted from this any capital amount that Mrs F still owed to Morses.

Mrs F's representative disagreed with this method of compensation. It said that Mrs F was in an individual voluntary arrangement (IVA) in respect of this debt and so any reduction in the amount she owed should benefit all of her creditors not just Morses. As no agreement 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 of the relevant rules, guidance and good industry practice – on our website. Broadly speaking, this all means that Morses needed to take reasonable steps to ensure it didn't lend irresponsibly. In practice, this means it should have carried out proportionate checks to make sure Mrs F could repay her loans in a sustainable manner. Additionally, there may come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

Applying this to the circumstances of this particular complaint, I have reached the same outcome as our adjudicator, for essentially the same reasons.

Neither Mrs F, nor her representative, disagreed with our adjudicator's opinion about loans 1 to 6. Because of this I don't think there is any ongoing dispute about these loans. So, I won't comment further on this lending saving to say I agree with the outcome the adjudicator reached and for the same reasons.

And they were part of the borrowing relationship Mrs F had with Morses. So, they are something I will take into account when considering the other loans she took.

I've also considered the pattern of lending up to loan 7 and I think the lending history and pattern of lending itself clearly demonstrates that further lending would likely to be unsustainable. So, I think Morses was irresponsible to continue lending after this point.

Again, there is now no disagreement that Morses was wrong to approve loans 7 to 12. So, I won't comment further on this part of Mrs F's complaint.

I've considered the points Mrs F's representative made in response to the adjudicator's view. It says that the compensation should be altered to reflect Mrs F's IVA terms. We were able to confirm that Mrs F is in an IVA. Our adjudicator asked for more detail about this, but Mrs F's representative didn't supply this. So, we don't have copies of the IVA agreement or contact details for the IVA practitioner.

But in any event the IVA is between Mrs F, her IVA practitioner and her creditors. It's not an agreement I'm party to or bound by. I don't think it reasonable, or practical here, for me to alter the compensation to account for Mrs F's wider circumstances. I think the compensation that the adjudicator recommended fairly compensates Mrs F for Morses mis-selling loans.

It is likely that Mrs F is bound by the terms of the IVA and any compensation should be paid to the IVA practitioner. Mrs F should liaise with her IVA practitioner to determine how the compensation affects her outstanding other debts and her IVA agreement.

So, the points raised by Mrs F, and her representative, haven't changed my decision and I'm upholding this complaint and awarding compensation on the same basis that the adjudicator did.

### **Putting things right**

Morses shouldn't have given Mrs F loans 7 to 12.

If Morses has sold the outstanding debts Morses should buy these back if it is able to do so and then take the following steps. If Morses is not able to buy the debts back then Morses should liaise with the new debt owner to achieve the results outlined below.

A) Morses should add together the total of the repayments made by Mrs F towards interest, fees and charges on all upheld loans without an outstanding balance, not including anything it has already refunded.

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

C) Morses should remove all interest, fees and charges from the balance on any upheld outstanding loans, and treat any repayments made by Mrs F as though they had been repayments of the principal on all outstanding loans. If this results in Mrs F having made overpayments then Morses should refund these overpayments with 8% simple interest\* calculated on the overpayments, from the date the overpayments would have arisen, to the date the complaint is settled. Morses should then refund the amounts calculated in "A" and "B" and move to step "E".

D) If there is still an outstanding balance then the amounts calculated in "A" and "B" should be used to repay any balance remaining on outstanding loans. If this results in a surplus then the surplus should be paid to Mrs F.

E) The overall pattern of Mrs F's borrowing for loans 7 to 12 means any information recorded about them is adverse, so it should remove these loans entirely from Mrs F's credit file. Morses does not have to remove any outstanding loans from Mrs F's credit file until these have been repaid, but Morses should still remove any adverse information recorded about these loans.

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

### **My final decision**

For the reasons I've explained, I partly uphold Mrs F's complaint.

Morses Club PLC should put things right by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs F to accept or reject my decision before 1 October 2021.

Andy Burlinson  
**Ombudsman**