

The complaint

Mrs I (through a representative) has complained that Morses Club PLC didn't carry out proper affordability checks, had Morses done so it would've seen she was in debt spiral and not lent to her.

What happened

Mrs I took two home credit loan from Morses between January and August 2017. A summary of her borrowing, based on the information provided to us from Morses can be found below:

loan number	loan amount	agreement date	repayment date	term (weeks)
1	£200.00	16/01/2017	10/08/2017	33
2	£200.00	10/08/2017	16/08/2019	33

It looks like Mrs I had some problems repaying the final loan, and the repayment date for this seems to be the date the loan was passed to a third-party collection agency.

One of our adjudicators looked at Mrs I's complaint. He didn't uphold her complaint because in his view, Morses had carried out proportionate checks and these checks showed it that Mrs I would likely to be able to afford her loan repayments.

Morses appear to have agreed with our adjudicator's opinion.

Mrs I disagreed and in summary she said, that she was in a bad way when the loans were lent. She says her son has health problems and they preyed on her because she is vulnerable.

As no agreement could be reached the complaint 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.

I've also taken into account the law, any relevant regulatory rules and good industry practice at the time the loan was provided.

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 Mrs I could repay the loans in a sustainable manner. These checks could take into account 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 Mrs I. These factors include:

- the lower a consumer'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.

I think that it is important for me to start by saying that Morses was required to establish whether Mrs I could sustainably repay her loans – not just whether the loan payments were affordable on a strict pounds and pence calculation.

Of course, 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 relevant regulations define sustainable as being without undue difficulties and in particular 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 do so without borrowing further.

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mrs I's complaint.

When these loans were approved, Morses has told us that it made enquires with Mrs I about her income and expenditure. Based on what Mrs I declared, Morses believed she had income of £217 per week for loan 1 and £290 a week for loan 2. She also had declared outgoings of £145 per week for loan 1 and £118 for loan 2. This left disposable income of between £72 and £172 per week. So, the loans would've looked afforded to Morses, based solely on this information.

Overall, taking account that this was early on in Mrs I's lending relationship with Morses, I think Morses carried out proportionate checks which showed Mrs I was likely to be able to afford the repayments she was committing to making.

I also haven't seen any further information that shows its likely Morses was made aware of any financial problems Mrs I might've been having. Or anything else that would've prompted it to investigate her circumstances further. So, I still think it was reasonable for Morses to rely on the information it obtained and approve these loans.

I'm sorry to hear about both Mrs I's health problems and that of her sons. But in this case, based on the limited information I have been given, I don't think it alters my view on the outcome. As I've explained above, the checks Morses carried out were in my view proportionate and there is no indication that Morses was aware of Mrs I's health problem. But even if Morses was aware, I don't think that would've altered its decision to lend,

because based on what Mrs I declared she could afford the loan repayments. I also know she feels that Morses preyed on her, but I've not seen anything to suggest this was the case.

So, I'm not upholding Mrs I's complaint about her lending. I appreciate Mrs I will be disappointed by the outcome of this complaint, but I hope my explanation has been useful in explaining why I've reached the outcome that I have.

My final decision

For the reasons I've explained above, I'm not upholding Mrs I's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs I to accept or reject my decision before 16 November 2021.

Robert Walker
Ombudsman