

The complaint

Mr H (through a representative) has complained that Morses Club PLC trading as Morses Club (Morses) didn't carry out proper affordability checks.

What happened

Mr H took two home collected loans from Morses between August and November 2015. A summary of his borrowing, based on the information provided to us from Morses can be found below:

loan number	loan amount	agreement date	repayment date	term (weeks)	combined weekly repayment
1	£200.00	14/08/2015	outstanding	34	£10.00
2	£400.00	13/11/2015	outstanding	33	£30.00

Mr H had some problems repaying his loans and Morses has shown this Service that the loans were passed to a third-party collection agency in February 2017. Morses hasn't supplied any other information to suggest the loans have subsequently been repaid.

One of our adjudicator's looked at Mr H's complaint and he didn't uphold it. The adjudicator said, Morses had carried out proportionate checks and these checks showed it that Mr H was likely to be able to afford his loans.

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

Mr H (through his representative) disagreed asking for the case to be re-investigated. A copy of Mr H's credit report was also provided at this time.

The adjudicator went back to Mr H's representative and explained why the credit report didn't change their mind about the outcome of his complaint.

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

Mr H 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 Moses should fairly and reasonably have done more to establish that any lending was sustainable for Mr H. 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 Moses was required to establish whether Mr H could sustainably repay his 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 Mr H's complaint.

When these loans were approved, Mr H was committed to repaying Moses £10 per week for loan 1, and then for loan 2 he needed to repay Moses a total of £30 a week as both loans would be running concurrently.

Moses, has told us Mr H "*had an average income of £150.00, expenditure of £37.50 and a disposable income of £112.50.*"

Based on the largest repayment to Moses of £30 per week, it would've looked like that Mr H would have been able to afford the repayments he was committed to making.

When loan 2, was approved, Mr H still had some time left to repay loan 1, but up to this point there wasn't anything obvious in the repayment history for loan 1 that may have suggested to Moses that Mr H would struggle to repay his final loan.

I appreciate that Mr H has provided this Service a copy of its credit report. It doesn't look like Moses did a credit search before these loans were approved. And it is worth noting that Moses wasn't required by the regulator to do a credit search before granting a loan. Neither is a credit search required to be conducted to a specific standard in terms of what

information may or may not be gathered. But what Moses had to do was carry out a proportionate check as I've outlined above.

So, while I accept that Mr H's credit report does show some adverse credit file information from around the time these loans were approved (for example, on a hire purchase agreement). I can't conclude, given that Moses doesn't appear to have done a credit check that it would've been aware of that adverse data. And I don't think an error was made just because Moses didn't do a credit search – after all, as I've said above, it wasn't required to do one.

For Mr H's loans I think Moses carried out proportionate checks which showed Mr H was likely to be able to afford the repayments he was committing to making. I also haven't seen any further information that shows its likely Moses was made aware of any financial problems Mr H might've been having. Or anything that would've prompted it to investigate his circumstances further. So, I think it was reasonable for Moses to rely on the information it obtained and approve these loans.

So, I'm not upholding Mr H's complaint. I appreciate Mr H will be disappointed by this outcome., 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 Mr H's complaint.

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

Robert Walker
Ombudsman