DRN-3013590

The complaint

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

What happened

Ms H took two home collected loans from Morses between August and November 2015. 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)	combined weekly repayment
1	£200.00	07/08/2015	04/07/2017	34	£10.00
2	£400.00	13/11/2015	14/12/2020	33	£30.00

Ms H had some problems repaying her loans, and it looked like Morses agreed to a repayment plan in order to assist Ms H to repay what she owed.

One of our adjudicator's looked at Ms H's complaint. He didn't uphold her complaint. He said, Morses had carried out proportionate checks and these checks showed it that Ms H would likely to be able to afford her loans.

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

Ms H disagreed with the adjudicator's outcome and asked for the case to be passed to an ombudsman. But she didn't provide any further comments or evidence.

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 Ms 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 Morses should fairly and reasonably have done more to establish that any lending was sustainable for Ms 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 Morses was required to establish whether Ms H 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 Ms H's complaint.

For loan 1 Ms H was required to pay Morses £10 per week, and loan 1 was still running when loan 2 was granted. So in total Ms H was committed to paying Morses £30 per week. Morses had to do proportionate checks to make sure Ms H was likely to be able to afford these repayments. Having looked at everything, I think the checks Morses did went far enough.

When these loans were approved, Morses asked Ms H about her weekly income and expenditure. Morses has told this Service that Ms H declared **"***had an average income of £153.40, expenditure of £40.00 and a disposable income of £116.75 [per week]..."* This left Ms H with sufficient disposable income to afford the weekly repayments she was committed to making.

There also weren't any obvious repayments problems during loan 1 (before loan 2 was granted) that may have prompted Morses to have carried out further, or more in-depth checks. So, I still think the checks Morses carried out were proportionate.

For Ms H's loans I think Morses carried out proportionate checks which showed Ms H 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 Ms H might've been having at the time. Or anything else that would've prompted it to investigate her circumstances further. So, I think it was reasonable for Morses to rely on the information it obtained and approve these loans.

So, I’m not upholding Ms H’s complaint about her loans. I appreciate Ms H 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 Ms H’s complaint.

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

Robert Walker
Ombudsman