

The complaint

Miss M, through her representative, complains that Morses Club PLC lent to her irresponsibly. She says that not enough checks were carried out, and Morses did not ask to see her bank statements to make the right checks before lending.

What happened

Morses has provided us with information on four loans. They are set out in the table below but the first one, effectively, was withdrawn or cancelled as it was refunded the same day it was approved. No repayments were taken for that loan. Another loan was issued on the same day to Miss M. We have no explanation for this but to reflect the fact that effectively Miss M took three loans (not four) I have adapted the loan table used by our adjudicator. The cancelled/withdrawn loan shows here in italics.

Loan	Date Taken	Weekly Instalments	Amount	Date Repaid	Highest Combined Weekly Repayment
<i>Cancelled or withdrawn</i>	<i>12/01/2017</i>		<i>£200</i>	<i>n/a</i>	<i>n/a</i>
first	12/01/2017	20 x £15	£200.00	19/04/2017	£15.00
middle	05/04/2017	33 x £7.50	£150.00	Debt Sold	£22.50
last	19/04/2017	20 x £15	£200.00	Debt Sold	

Morses' records show that payments by Miss M stopped for the last two loans around October 2017 and they were transferred to its debt collector around March 2018.

After Miss M had complained, Morses wrote to her with its final response letter (FRL) in which it agreed that better checks ought to have been carried out for the last loan issued on 19 April 2017. It said it would put things right for her. That resolution outcome has been clarified by our adjudicator and translates to mean that-

- Morses will contact the third party to reduce her outstanding balance on the last loan to what would effectively be £65. This figure comes from the fact that Morses will remove the £100 interest charged on that loan, and recalculate the account using the £135 payments Miss M has already made to it. That means having paid £135 towards that last loan of £200, Miss M would be left with £65 to repay; and
- it would instruct that third party to amend Miss M's credit file for that last loan to remove any adverse payment information immediately; and
- once repaid, Morses would ensure that the third party removes the last loan from her credit file.

Morses explained to Miss M in its FRL that the middle loan remained with that third party and a balance remained to pay on it.

Miss M did not agree with that resolution and so her representative referred it to this Service.

One of our adjudicators looked at the complaint and thought that Morse's resolution was fair and that it did not need to do more.

Miss M did not agree and so the complaint was passed to me to decide.

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 the relevant rules, guidance and good industry practice - on our website. Morse 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 Miss M could repay the loans in a sustainable manner.

These checks could consider 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 Morse should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These factors include:

- the *lower* a customer'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 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.

And the loan payments being affordable on a strict pounds and pence calculation might be an indication a consumer could sustainably make their repayments. But it doesn't automatically follow this is the case. The industry regulator defines sustainable as being without undue difficulties and, 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 make their repayments without borrowing further.

As I explained earlier in this decision, the January 2017 loan was the first effective loan after the earlier one on the same day seems to have been withdrawn or cancelled. I make no findings on the one which was withdrawn or cancelled because Miss M suffered no loss as no repayments were made by her to that loan.

The income and expenditure amounts declared to Morses when Miss M applied for that first loan in January 2017, lead me to conclude that Morses would have thought that Miss M was able to afford the £15 a week repayment cost. It was the first, effective loan in the relationship between her and Morses, it was for a relatively modest sum and for a relatively short term of 20 weeks. At that stage in the lending relationship, Morses was acting proportionately to rely on the information it was given by Miss M. I do not think it needed to do more. So, I do not uphold Miss M's complaint about the January 2017 loan.

The middle loan was taken just before Miss M repaid the first one in April 2017. And the figures I have seen for Miss M's income and expenditure are much the same. And for a second loan, albeit with a small anticipated overlap with the first loan which still had a few more weeks to run, I do not think it would have led to Morses thinking Miss M could not afford it.

I know that Miss M thinks that Morses ought to have done more – such as review her bank account statements - but that would have been disproportionate. I would not have expected Morses to do more than it did. I do not uphold Miss M's complaint about the middle loan.

Morses has agreed to put things right in relation to the last loan and so I endorse that outcome. It was offered to Miss M in its FRL in January 2021, means that there is nothing for me to direct Morses to do. Morses has told us it will do what it said it would do in the FRL (including the later clarifications given to our adjudicator about the credit file amendments and removal when repaid).

I do not uphold Miss M's complaint.

My final decision

My final decision is that I do not uphold Miss M's complaint and endorse the resolution outcome for the last loan made by Morses. If Miss M accepts this decision then she should be considered to have accepted the offer Morses made in its FRL.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 20 October 2021.

Rachael Williams
Ombudsman