

## The complaint

Mr N says Morses Club PLC lent to him irresponsibly. He says that Morses should have made better checks before lending. If it had done this Mr N says it wouldn't have lent to him.

## What happened

Our adjudicator thought the complaint should be partially upheld. He thought Morses shouldn't have approved loans 4 to 6. Morses disagreed with the adjudicator's opinion. The complaint was then passed to me.

I issued my provisional decision saying that Mr N's complaint should be upheld in part, although for a different reason to what the adjudicator had said. I thought Morses should pay compensation in respect of loan 6 only. A copy of the background to the complaint and my provisional findings are below in italics and form part of this final decision.

*This complaint is about six home collected loans Morses provided to Mr N between July 2013 and March 2018. Some of the information I have been provided about the lending is in the table below. The loans were paid weekly and there was a significant break in the lending between loans 2 and 3. So there were two distinct periods of lending.*

Loan	Date Taken	Amount	Instalments	Date Repaid
1	30/07/2013	£500	50	19/05/2014
2	19/11/2013	£600	50	05/06/2014
3	04/12/2015	£400	33	29/09/2016
4	24/11/2016	£500	33	31/07/2017
5	07/08/2017	£400	33	08/03/2018
6	08/03/2018	£600	33	19/10/2018

*Our adjudicator partially upheld the complaint. He said that Morses wasn't lending irresponsibly when it approved loans 1 to 3. But he said the repayments for loans 4 and 5 were too high a proportion of Mr N's income. And the lending pattern itself showed a reliance on this type of credit at loan 6.*

*Morses agreed to pay compensation in respect of loan 6. But it didn't understand why the repayment for loans 4 and 5 represented too high a proportion of Mr N's income. As no agreement has been reached the complaint has been passed to me.*

### **What I've provisionally decided – and why**

*I've considered all the available evidence and arguments to provisionally 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.*

*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 N 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 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 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.*

*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 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 make their repayments without borrowing further.*

*I've provisionally decided to uphold Mr N's complaint in part, and I've explained why below.*

*Mr N didn't disagree with our adjudicator's opinion that Morses was acting correctly when it approved loans 1 to 3. Because of this, I don't think there is any ongoing disagreement about these loans. And for the avoidance of doubt, I don't disagree with what the adjudicator said about this lending, and for the same reasons. I won't look at these loans in detail as part of this decision.*

*And Morses now accepts that it shouldn't have approved loan 6. Again, I don't disagree with the compensation the adjudicator thought was reasonable for this loan, and for the same reasons. So, I also won't look at this loan in detail as part of this decision. But I have included the compensation for this loan in my putting things right section below.*

*My decision will instead focus on whether Morses should also pay compensation for loans 4 and 5.*

*Our adjudicator thought the loan repayments were too great a proportion of Mr N's declared income. In some ways I can see why he said this. Mr N was paying £25 a week against a recorded income of £245 for loan 4. This is a fairly high proportion of what could reasonably be described as a modest income. And Mr N would need to repay this for a reasonable length of time.*

*That said, Mr N's expenditure was recorded as being just over £50 a week. Even when considering this as being very low and I think it's likely he did have some spare money. There had been no obvious repayment problems at this point and the lending pattern itself wasn't problematic in the way it did become later. So, I don't think the repayments for loan 4 were too high.*

*And there was a short break before loan 5, Mr N's income increased (as did his expenditure slightly), but the loan repayments were smaller. So, I also don't think that the repayments to loan 5 would've been likely to cause Mr N problems.*

*Looking at the point of sale information, I think it would have been reasonable for Moses to have assumed these loans were affordable for Mr N. And I haven't seen any other information that highlights anything that would've led to Moses thinking that Mr N had any significant financial problems. Or that he couldn't afford the repayments.*

*So, overall, having considered all of the information I've been provided I don't think Moses was wrong to have approved loans 4 and 5. I'm not intending to uphold Mr N's complaint about them.*

Moses, and Mr N (via his representative), received my provisional decision. No one had anything to add after they'd seen it.

### **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.

Moses and Mr N didn't raise any new points after receiving my provisional decision. So, I don't feel the need to elaborate on my findings above except to say I think Moses was wrong to have provided Mr N's final loan. I've outlined below what Moses needs to do in order to put things right. Moses has already agreed to the following compensation.

### **Putting things right**

Moses shouldn't have given Mr N loan 6.

- A) Moses should add together the total of the repayments made by Mr N towards interest, fees and charges on these loans, including payments made to a third party where applicable, but not including anything it has already refunded.
- B) Moses should calculate 8% simple interest\* on the individual payments made by Mr N which were considered as part of "A", calculated from the date Mr N originally made the payments, to the date the complaint is settled.
- C) Moses should pay Mr N the total of "A" plus "B".
- D) The overall pattern of Mr N's borrowing for loan 6 means any information recorded about it is adverse, so it should remove this loan entirely from Mr N's credit file. If Moses has sold any of the loans Moses should ask the debt purchaser to do the same.

\*HM Revenue & Customs requires Moses to deduct tax from this interest. Moses should give Mr N a certificate showing how much tax it has deducted, if he asks for one.

### **My final decision**

For the reasons I've explained, I partly uphold Mr N'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 Mr N to accept or reject my decision before 24 November 2021.

Andy Burlinson  
**Ombudsman**