

## The complaint

Mr L has complained that Morses Club PLC didn't carry out proper affordability checks, had Morses done so it would've seen he was in a cycle of taking high cost credit and not lent to him.

## What happened

Mr L took one home credit loan from Morses in September 2020. A summary of his borrowing, based on the information provided to us from Morses can be found below:

loan number	loan amount	received date	repayment date	number of weekly repayments	weekly repayment
1	£300	18/09/2020	outstanding	34	£15

One of our adjudicators looked at Mr L's complaint. She didn't uphold his complaint. She said, Morses had carried out proportionate checks and these checks showed it that Mr L would likely to be able to afford his loan repayments.

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

Mr L disagreed and in summary he said;

- he took another loan high cost credit loan around the same time that this loan was granted;
- had Morses carried out proper checks it would've seen this loan was unaffordable;
- he had another high cost loan that was in arrears at the time;
- Mr L says he had a substantial history of taking short-term lending;
- He had maxed out his overdraft and
- Mr L couldn't afford the repayments alongside his other priority debts.

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 L 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 L. 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 L could sustainably repay his loan – 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 L's complaint.

When this loan was approved, Moses has told us that it made enquires with Mr L about his income and expenditure. Based on what Mr L declared, Moses believed he had £102 of disposable income to be able to afford the payment of £15 per week. So, the loan would've looked afforded to Moses, based solely on this information Mr L declared to it.

A credit check was also carried out. In summary, Moses knew the following from the credit check credits it carried out;

- Mr L had nine outstanding credit accounts;
- He had no recorded county court judgements;
- Mr L had opened 2 accounts within the last year and
- He had no recent significant adverse payment data.

The summary above, doesn't lead me to conclude that Moses should've either declined the application or have prompted it to have made further enquires with Mr L about his circumstances. It would've looked like based on what Moses saw that Mr L could afford the repayments.

I appreciate Mr L's actual full credit report and bank statements may show something different to what Moses was provided with. But when Moses carried out the credit check

there was no regulation about whether it needed to do a credit check let alone one to a required standard.

Given this, I can't say an error was made in the credit check and neither was it unreasonable for Morses to have used and relied on the information it received from the credit reference agency.

Overall, taking account that this was Mr L's first and only loan I think Morses carried out proportionate checks which showed Mr L 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 Morses was made aware of any financial problems Mr L might've been having. Or anything that would've prompted it to investigate his circumstances further. So, I think it was reasonable for Morses to rely on the information it obtained and approve this loan.

I'm not upholding Mr L's complaint about his loans. I appreciate Mr L 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.

But I would remind Morses to treat Mr L fairly and with forbearance while dealing with him in order to repay the outstanding balance.

### **My final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 4 November 2021.

Robert Walker  
**Ombudsman**