

The complaint

Ms B complains that she cannot afford the loans Morses Club PLC gave her.

What happened

Morses records show that Ms B took four loans and a brief summary appears here:

Loan	Date Taken	Date Repaid	Instalments	Amount	Highest Repayment*
1	22/09/2017	09/03/2018	20	£200.00	£15.00
2	05/12/2017	25/09/2018	33	£400.00	£35.00
3	08/11/2018	20/11/2019	33	£400.00	£20.00
4	20/11/2019	Transferred to Lantern	34	£500.00	£25.00

Ms B explained to Morses in her complaint: *'Took a loan out didn't know had to pay high interest rates and fell behind and can't afford the payments'*. Ms B also said: *'I can't afford the payments as I'm on the sick from work and struggling to live with the current climate'*

Morses responded with a final response letter in which it said it did not uphold her complaint. Ms B brought her complaint to this Service. One of our adjudicators thought that by loan 4, Morses should have appreciated that Ms B was not able to repay sustainably and thought that Morses should put things right for her for loan 4.

Morses disagreed and reiterated that there was a gap between loans 2 and 3 and her income and outgoings for loan 4 were enough to cover the repayments. It thought that four loans in 26 months was not excessive.

The complaint remained unresolved and was passed to me for a decision. I issued a provisional decision on 1 September 2021 in which I explained why I was planning not to uphold Ms B's complaint. Both parties were invited to respond by 15 September 2021. The findings in my provisional decision are set out here.

My provisional decision findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. We have set out our general approach to complaints about short-term lending - including all the relevant rules, guidance and good industry practice - on our website.

Morses needed to take reasonable steps to ensure that it did not lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Ms B could repay the loans in a sustainable manner. These checks could include several different things, such as how much was 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 Morses should fairly and reasonably have done more to establish that any lending was sustainable for the consumer.

These factors include:

- having a low 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 amounts to be repaid being especially high (reflecting that it could be more difficult to meet a higher repayment from a level of income);
- having many loans and/or having these loans over a long period of time (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable);
- coming back for loans shortly after previous borrowing had been repaid (also suggestive of the borrowing becoming unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

Morses was required to establish whether Ms B could sustainably repay her loans – not just whether the loan payments were affordable on a strict pounds and pence calculation. 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 Consumer Credit Sourcebook ("CONC") defines 'sustainable' as being the ability to repay without undue difficulties. The customer should be able to make repayments on time, while meeting other reasonable commitments, and 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 will not be able to make their repayments sustainably if they need to borrow further in order to do that.

I have carefully considered all the arguments, evidence and information provided in this context and what this all means for Ms B's complaint.

Ms B has not responded to our adjudicator's opinion and from that it seems that Ms B does not disagree with it. So I am proceeding on the basis that the remaining loan in dispute is loan 4. Morses does not think that it needed to put things right for her on loan 4.

Our adjudicator did not address Ms B's concerns from what she describes as lots of upsetting calls from Morses to ask her for the payments. I have no evidence from either party on that element about the correspondence and the frequency with which Ms B was asked to make payments. In the absence of it then I am planning not to uphold this part of her complaint.

I do not think that the fourth loan, taken sequentially after Ms B had repaid loan 3, suggests unsustainability. I do not agree with our adjudicator's view on that.

I have seen from records that Ms B had no debt with Morses from 26 September 2018 to 7 November 2018. This is a relatively short gap in the lending and I do not think that the overall lending relationship altered with such a short gap. However, that 44 day break does suggest that Ms B was not repeatedly taking loans from Morses. However, I do note that Ms B had been borrowing from Morses for a relatively long time by the time she applied for loan 4. And so more ought to have been done at that stage in my view.

I can see from Morses records that Loan 3 took longer than was scheduled to repay – originally 33 weeks and it took Ms B over a year. And that ought to have prompted Morses to carry out further checks before approving loan 4. Ms B had been its customer for over two years and I would have expected that Morses was carrying out more extensive checks by then if it had not been doing already. It was for a larger sum than loan 3.

Morses has shown us and said in its FRL to Ms B that these figures in the table below were her declared income and outgoings. I think that some figures may have been taken from the Office of

National Statistics (ONS). Ms B says she could not afford the loans, but has sent no evidence to demonstrate that. Without more financial evidence from Ms B, I have nothing to suggest that these figures are incorrect. And so, as this is the best evidence I have available, I am minded to assess the complaint using these figures.

Net weekly outgoings	Amount	Partner pays
Morses Club Loans	£20.00	-
Other Credit	£1.00	-
Rent	£140.00	£57.00
Council Tax	£20.00	-
Utilities	£30.00	-
Insurance	£15.00	-
Transport	£65.00	£32.00
Groceries	£100.00	-
Media	£40.00	-
Childcare	£20.00	-
Total	£436.00	£89.00
Net Income	£624.00	
Disposable Income	£282.00	

I have no credit file from Ms B to demonstrate to me what other debts she may have been repaying at the time she applied for loan 4 in November 2019.

Reading Ms B's complaint emails carefully I think that Ms B is saying she has found it difficult to repay the loan and it had become harder after it had been taken. In which case it seems that Ms B is asking Morses for a repayment plan to help her.

Morses has made a point that Ms B did not need any loan '*in September*'. It uses her decline to suggest that it showed she was not reliant. I think it is referring to September 2019. I do not think that Ms B turning down an offer of a fourth loan when she was still repaying loan 3 is a persuasive point to suggest that she was able to afford a fourth loan two months later.

As I have outlined above, I think that additional checks ought to have been carried out by Morses before approving loan 4, but without more detail from Ms B I do not have the evidence to contradict that the figures presented to it in November 2019 meant that Morses acted irresponsibly when approving loan 4.

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 have set out our general approach to complaints about short-term lending - including all the relevant rules, guidance and good industry practice - on our website.

We have not received a response from either party and so in the absence of anything further I see no reason to alter my provisional findings. The reasoning in my provisional decision is repeated here and forms part of this final determination which is - I do not uphold Ms B's complaint.

My final decision

My final decision is that I do not uphold Ms B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms B to accept or

reject my decision before 14 October 2021.

Rachael Williams
Ombudsman