

The complaint

Ms B, through her representative, complains that Morses Club PLC, lent to her when she could not afford it.

What happened

Using information from Morses here is a brief table of the approved loans. Both parties refer to a loan being approved before August 2013 but neither party has any information about it to send to us.

Loan	Start Date	End Date	Capital Amount	Interest amount
2	23/08/2013	08/08/2014	£250.00	£187.50
3	11/12/2013	16/09/2014	£650.00	£487.50
4	11/04/2014	09/12/2014	£350.00	£262.50
5	08/08/2014	09/05/2015	£500.00	£375.00
6	16/09/2014	09/05/2015	£650.00	£487.50
7	09/12/2014	11/07/2015	£600.00	£450.00
8	09/05/2015	02/06/2016*	£800.00	£600.00
9	15/05/2015	18/11/2015	£650.00	£487.50
10	11/07/2015	02/06/2016*	£800.00	£600.00
11	21/11/2015	02/06/2016*	£850.00	£697.00

*2 June 2016 was the date on which these three loans were sold to a third party debt collector. That collector has confirmed that no payments have been received by it.

In its final response letter (FRL), Morses agreed with Ms B in relation to loans 7 to 11 and set out its proposed resolution. In later correspondence with this Service it has explained that once the balance is repaid it will work with the third party to amend Ms B's credit file.

Ms B referred her complaint to this Service. One of our adjudicators looked at the complaint and thought that Morses' planned resolution was in-line with our approach to complaints of this sort. She thought that Morses need not do more than what it had outlined in the FRL together with the credit file amendment.

Neither party responded and so it was passed to me to finalise the complaint with a 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.

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 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 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 sent to us nothing other than a Claim Audit Form. In it she gives me an idea why she feels it was wrong for Morses to give her loans. She says that she lost her job in December 2014, Morses knew and still lent to her.

In its FRL Morses has agreed to uphold her complaint from December 2014 (loan 7). That may be coincidence but either way that seems to be a fair point at which to decided to recompense Ms B in relation to the lending.

And our approach to these types of complaints dovetails with what Morses has set out in its FRL that it will do to make things right for Ms B. So, I endorse that planned resolution by

Morses, to include the credit file amendment. Ms B's CMC can advise her on the practicalities and details.

This FRL and its resolution was issued before the complaint was referred to this Service. And as such I do not uphold her complaint.

My final decision

My final decision is that I endorse Morses Club PLC resolution and 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 1 November 2021. Acceptance of this decision is acceptance of the Morses Club PLC resolution.

Rachael Williams
Ombudsman