

The complaint

Mrs M says Morses Club PLC lent to her irresponsibly. Mrs M says that she had other lending when Morses approved the loans. She thinks it should've seen this and not lent to her.

What happened

Our adjudicator thought the complaint should be partially upheld. Morses disagreed with the adjudicator's opinion. The complaint was then passed to me.

I issued my provisional decision saying that Mrs M's complaint should be upheld in part. But I did so for different reasons, and I upheld different lending. A copy of the background to the complaint and my provisional findings are below in italics. This forms part of this final decision.

This complaint is about five home collected loans Morses provided to Mrs M between July 2017 and November 2018.

loan	date taken	amount	instalments	date repaid
1	07/07/2017	£200	20	08/11/2017
2	01/09/2017	£300	33	28/03/2018
3	08/11/2017	£500	33	29/06/2018
4	12/06/2018	£400	20	10/11/2018
5	10/11/2018	£800	33	28/06/2019

Our adjudicator partially upheld the complaint. She didn't think that Morses had irresponsibly lent loans 1 and 2. But she thought that the repayments were too great a proportion of Mrs M's income for loans 3 to 5. And this could've led to Mrs M being unable to sustainably make these repayments. She thought Morses shouldn't have approved these loans.

Morses agreed in part with what the adjudicator said. It said that the repayments for these loans were relatively low at 25% of her disposable income. And there were no payment problems. So, it didn't agree to pay compensation for loans 3 and 4.

It did agree that it shouldn't have approved the much larger loan 5. It made an offer of compensation for this loan. This was in line with what the adjudicator recommended. Mrs M didn't accept this offer.

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 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 Mrs M 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.

I provisionally think the offer Morses has made for loan 5 is a reasonable way to resolve the complaint overall. I've included this in my putting things right section below. I won't consider this loan in detail in this decision.

I've looked at the sale of loans 1 to 4 in more detail below.

I've seen a record of the information Mrs M provided when she completed her loan applications for all of these loans. Mrs M had a weekly income, on average, of around £280. And it was recorded that she had regular weekly outgoings of around £140. So, it would've been reasonable for Morses to think that the loans were affordable for Mrs M.

I haven't seen any further information that shows it's likely Morses was made aware of any financial problems Mrs M might've been having. Or anything that would've prompted it to investigate her circumstances further. So, I think it was reasonable for Morses to rely on the information it obtained, at least for the earlier part of the lending. I'm not intending to uphold Mrs M's complaint about loans 1 to 3.

By loan 4 Mrs M had been using this type of lending for around 11 months and there was no appreciable break in her indebtedness. Sometimes she had more than one loan running at the same time and the amounts she borrowed had increased.

So, I think Morses could've realised at that time that Mrs M may have some longer-term financial problems rather than just using the loans to help with a temporary cash flow problem. Morses should've also become concerned about whether it knew enough about Mrs M's true financial situation. So, I think its checks should've gone further than they did at this point.

But Mrs M hasn't provided any information to show me what Morses would've likely seen if it had made better checks. So, I can't say for certain that it would've seen that loan 4 wasn't affordable for her. Because of this I'm also not intending to uphold Mrs M's complaint about loan 4 for this reason.

Our adjudicator thought that repayments for loans 3 and 4 were too great a proportion of Mrs M's declared income. I can see why she said this. Mrs M was paying around £40 a week against a recorded income of between £245 and £277. This is a fairly high proportion of what could reasonably be described as a modest income.

That said, Mrs M's expenditure was recorded as being around £130 a week so she did have some spare money. There had been no obvious repayment problems at this point and the lending pattern itself wasn't, in my view, problematic. And going forward, Mrs M was able to repay the loans without a problem. So, I also don't think it's fair to uphold Mrs M's complaint about loans 3 to 4 for this reason.

So overall, I think Morses' decisions to lend for loans 1 to 4 were likely to be reasonable. I'm not intending to uphold her complaint about loans 1 to 4.

But, I'm intending to uphold Ms M's complaint about loan 5 for the same reasons as the adjudicator said. I agree that the compensation Morses has now offered is reasonable.

Morses, and Ms M received my provisional decision. And neither 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.

Morses and Mrs M didn't raise any new points after receiving my provisional decision. So, I've reached the same conclusions I reached before, for the same reasons. I still think Morses shouldn't have approved loan 5. I won't add anything further to my provisional decision as no one has commented on what I said.

Putting things right

Morses shouldn't have given Mrs M loan 5.

A) Morses should add together the total of the repayments made by Mrs M towards interest, fees and charges on this loan, including payments made to a third party where applicable, but not including anything it has already refunded.

B) Morses should calculate 8% simple interest* on the individual payments made by Mrs M which were considered as part of "A", calculated from the date Mrs M originally made the payments, to the date the complaint is settled.

C) Morses should pay Mrs M the total of "A" plus "B".

D) Morses should remove any adverse information it has recorded on Mrs M's credit file in relation to loan 5.

* HM Revenue & Customs requires Morses to deduct tax from this interest. Morses should give Mrs M a certificate showing how much tax Morses has deducted, if she asks for one.

My final decision

For the reasons I've explained above and in the provisional decision, I partly uphold Mrs M'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 Mrs M to accept or

reject my decision before 7 January 2022.

Andy Burlinson
Ombudsman