DRN-3086950

The complaint

Mrs T, through her representative, complains that Morses Club PLC lent to her irresponsibly.

What happened

Using information from Morses and Mrs T, here is a summary of the loans approved. Morses has explained

> '*If any loans are outside our data retention period of 6 years, we have no documentation for them but we have included a summary. We consent to you including these loans in your investigation.*
>
> *Regarding any missing loans, whilst Morses Club did acquire some Shopacheck financial services accounts, we only acquired open accounts at the point of acquisition in March 2014. The loans we do not hold information for were most likely closed, settled or sold before this point, and therefore the accounts remain the responsibility of* [name of a third party here] *now in administration with* [accountancy firm named here].'

Morses has told us that the loans with account number ending *7196 are loans in the table numbered as 2 and 3.

We do not have any information about loan 1 from either Mrs T or Morses. Morses has told us that loans 4 to 6 were issued by it.

Loan	Date Taken	Date Repaid	Weekly instalments	Amount	Highest weekly repayment
2	07/02/2014	05/12/2014	32	£300.00	£15.00
3	20/02/2015	22/01/2016	50	£500.00	£17.50
About an 18 month gap in lending					
4	01/09/2017	28/12/2017	20	£200.00	£15.00
5	09/03/2018	03/05/2019	33	£400.00	£20.00
About an 8 month gap in lending					
6	14/01/2020	10/12/2020	34	£200.00	£10.00

One of our adjudicators looked at the complaint. He explained that the large gaps in lending between loans 3 and 4 and again between loans 5 and 6 led him to treat these as breaks in the lending chain. This made a difference to how he thought Morses should have approached the applications for loans 4 and loan 6.
And he noted that there was a more than a two month gap between paying off loan 4 and Mrs T applying for loan 5 which, in his view, would not have acted as an alert to Morses that Mrs T was having any financial problems.

Our adjudicator did not think that Morses needed to put things right for Mrs T.

Mrs T disagreed and explained (paraphrased by me):

- the breaks in the lending was because in between the Morses loans she was paying loans to another home credit provider
- she suffered a bereavement in December 2016 which led to a dire financial situation
- the loans often were repaid late
- she was living on benefits at the time and struggling with priority bills.

Mrs T, through her representative, has said that she was going to forward to us copy bank statements for the period October 2015 to January 2016. Nothing has been received from her. She is represented by a professional claims management company and it has received notification from us that that the complaint was being referred to an ombudsman for a decision and was asked to send any additional information to us by 4 October 2021.

The complaint remained unresolved and was passed to me to decide.

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'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 did not lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mrs T 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 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. But in Mrs T's circumstances I do not think that four loans in one year was enough to have established a pattern.

Morses was required to establish whether Mrs T 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 Mrs T's complaint.

Mrs T's representative has said that at the time of the lending she was earning £1,000 and her outgoings were about £900. I assume that these were monthly figures. But I have not been sent any evidence of this and I have no details as to which loan or year this statement refers to. So, I attach little weight to it.

In its final response letter to Mrs T Morses has said '*Your application history shows you declared you had an average income of £270.43, expenditure of £190.00 and a disposable income of £80.43, which was more than adequate to meet your repayments.'* I assume Morses is referring to weekly figures here. But it makes no indication to which loan this relates and whether that was 2017 or 2020.

In the early stages of a lending relationship then I think that Morses was entitled to rely on the figures Mrs T supplied. It may be that by the third loan in the loan table I would have expected additional checks to have been carried out by Morses, but without more evidence from Mrs T then I do not know what those checks might have revealed.

And from what Morses has told us it seems that loan 3 was issued by Shopacheck and so it seems, according to the information given to us by Morses, that loan 3 was not a loan assessed by Morses in any event.

The gaps in the lending are significant and I agree with our adjudicator that these break the lending relationship. It may have been that Mrs T was borrowing from other lenders in the interim periods but Morses would not necessarily have known that.

So overall, I think that the checks it carried out for each of the loans was proportionate to the loan sums and the lending relationship situation at the time Mrs T applied.

My final decision

My final decision is that I do not uphold Mrs T's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs T to accept or reject my decision before 20 December 2021.

Rachael Williams
Ombudsman