

## The complaint

Miss C, through her representative, complains that Morses Club PLC lent to her irresponsibly.

## What happened

Using information from Morses about the loans approved for Miss C, a brief table has been compiled.

Loan	Date Taken	Date Repaid	Weekly Instalments	Amount	Max. Weekly Repayment
1	11/11/2016	12/05/2017	33	£400.00	£20.00
2	12/05/2017	17/11/2017	33	£500.00	£25.00
3	27/10/2017	Sold	33	£200.00	£35.00
4	17/11/2017	Sold	33	£500.00	£35.00

According to Morses' statements of account Miss C appeared to have ceased paying for the last two loans around September 2019 and they were sold to a third party debt collector in March 2020.

One of our adjudicators looked at the complaint, including the details Morses had from Miss C when she applied for the loans. He did not think that Morses had done anything wrong and he wrote to both parties giving reasons why he thought that.

Miss C responded through her representative to say:

*No I don't agree given the circumstances the agent only ever did my full earnings and income and outgoing on the first time round. Never did they ask on any others just clicked through the ipad and asked me to sign and processed the loans. So I do believe had they adequately checked everything thoroughly then it would have been a different circumstance entirely.*

No additional evidence or information has been sent to us by Miss C.

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 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 Miss C

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 Moses 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 Miss C's circumstances I do not think that four loans in one year was enough to have established a pattern.

Moses was required to establish whether Miss C 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 Miss C's complaint.

Miss C has said that Moses '*only ever did my full earnings and income and outgoing on the first time round.*' So, Miss C accepts that they did carry out an 'income and expenditure' assessment around November 2016 when she was applying for loan 1. And this is what I would have expected proportionate checks by Moses to have been in the early stages of a lending relationship. Miss C needs to understand that regulations did not require a lender to carry out any credit searches before lending and it appears that Moses did not do that at the time.

Here is a summary of the figures Miss C gave to Moses. The expenditure figures did not include any payments to other loans – they included rent, utilities and groceries.

Income	Expenditure	Disposable Income
£250.00	£140.00	£110.00
£462.00	£116.00	£346.00
£500.00	£170.00	£330.00
£500.00	£150.00	£350.00

Reviewing each of the figures given to Morses when applying for the loans, the income Miss C gave was large enough to cover her declared outgoings and other expenditure. So, each of the loans would have looked affordable to Morses. Each show income figures ranging from £250 to £500 a week and a weekly expenditure of around £116 to £170. The figures vary a little across the application dates but the repayments for the loans look to have been affordable.

I appreciate that Miss C says that she could not afford these loans, but apart from her Claim Audit Form I have received nothing further from her. The figures given in that Claim Audit Form are that she earned £1,600 a month net which translates to being around £369 a week. And her outgoings (including monthly sums being paid to other creditors of varying sorts) were £1,740 a month – which translates to be about £401 a week.

And the figures on that Audit Form vary so significantly from the figures given to Morses at the time of applying for the loans that I cannot accept it as evidence without verification.

Miss C says in the Audit Form that her work hours reduced but she gives no date as to when that happened. And she indicates she had been made redundant in 2020. I am sorry to hear it but that would have been after the loans were approved and so this is not relevant to the complaint.

So, without more from Miss C then I fall back on the contemporaneous information given at the time of application and those lead me to conclude that Miss C was able to afford the loans.

In the early stages of a lending relationship then I think that Morses was entitled to rely on the figures she supplied. And four loans in a year at the sums I have seen approved for Miss C do not seem high. I do not think that Morses approved the loans irresponsibly.

### **My final decision**

My final decision is that I do not uphold Miss C's complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 14 December 2021.

Rachael Williams  
**Ombudsman**