

The complaint

Ms W says Morses Club PLC lent to her irresponsibly. Ms W said she already had a significant amount of debt when she took the Morses loans. So, they weren't affordable for her and Morses shouldn't have approved them.

What happened

This complaint is about five home collected loans Morses provided to Ms W between December 2013 and July 2017. Some of the information I have been provided about the lending is in the table below.

loan	date taken	amount	instalments	date repaid
1	06/12/2013	£700.00	50	04/12/2014
2	04/12/2014	£900.00	50	29/10/2015
3	26/11/2015	£500.00	52	20/10/2016
4	15/12/2016	£500.00	33	20/07/2017
5	20/07/2017	£500.00	33	29/03/2018

Ms W has borrowed a significant amount of other home credit loans with a business that Morses took over in 2014. I don't have details about the amounts, terms and dates of these loans, but I understand there were 25 of them. Neither party has any further information about the other lending. But I think it is likely Morses would have had some indication of the earlier lending from 2014 onwards.

Our adjudicator partially upheld the complaint. He didn't think that Morses had lent irresponsibly when it approved loans 1 and 2. But he thought that the pattern of lending itself showed that Ms W was likely to be reliant on these loans by loan 3. Particularly given the earlier lending with the other business.

Morses disagreed with the adjudicator's opinion. It said that it didn't think that three loans in 23 months was excessive and there were some shorter breaks in the lending up to this point. The checks Morses did showed that this lending was affordable.

Ms W didn't add anything to what the adjudicator said.

As no agreement has been reached the complaint has been passed to me.

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 didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Ms W 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.

And the loan payments being affordable on a strict pounds and pence calculation might be an indication a consumer could sustainably make their repayments. But it doesn't automatically follow this is the case. The industry regulator defines sustainable as being without undue difficulties and in particular the customer should be able to make repayments on time, while meeting other reasonable commitments; as well as 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 won't be able to make their repayments sustainably if they're unlikely to be able to make their repayments without borrowing further.

I've decided to uphold Ms W's complaint in part, and I've explained why below.

Ms W didn't disagree with our adjudicator's opinion about loans 1 and 2. Because of this I don't think there is any ongoing disagreement about these loans. So, I won't be making a decision about this lending. But they were part of the borrowing relationship Ms W had with Morses. So, they are something I will take into account when considering the other loans she took.

I haven't recreated individual, proportionate affordability checks for loans three to five because I don't think that it is necessary to do so. I've looked at the overall pattern of Morses' lending history with Ms W, with a view to seeing if there was a point at which Morses should reasonably have seen that further lending was unsustainable, or otherwise harmful. And so Morses should have realised that it shouldn't have provided any further loans.

Given the particular circumstances of Ms W's case, I think that this point was likely to have been reached by loan 3. I say this because:

- Ms W had been indebted to Morses for 23 months, which is a reasonably long time in itself. But Morses would also have been aware that Ms W has been taking similar

loans for much longer than this. And that the Morses loans were likely to be continuation of this earlier lending pattern.

- Morses ought to have known that Ms W was not likely borrowing to meet a temporary shortfall in her income but to meet an ongoing need. So Morses ought to have realised it was likely that Ms W's indebtedness was unsustainable.
- Ms W wasn't making any real inroads to the amount she owed Morses. Loan 5 was taken out over just under four years after Ms W's first. And she had been borrowing a significant time before this. Ms W had paid large amounts of interest to, in effect, service a debt to Morses over an extended period.
- It's likely that this lending became unsustainable a significant time before loan 3. But I don't have enough information to reasonably say if, or when, this was.

I think that Ms W lost out because Morses continued to provide borrowing from loan 3 onwards because:

- These loans had the effect of unfairly prolonging Ms W's indebtedness by allowing her to take expensive credit over an extended period of time.
- The length of time over which Ms W borrowed was likely to have had negative implications on her ability to access mainstream credit and so kept her in the market for these high-cost loans.

So, overall, I'm upholding the complaint about loans 3 to 5 and Morses should put things right.

Putting things right

In deciding what redress Morses should fairly pay in this case I've thought about what might have happened had it stopped lending to Ms W from loan 3, as I'm satisfied it ought to have.

Clearly there are a great many possible, and all hypothetical, answers to that question.

For example, having been declined this lending Ms W may have simply left matters there, not attempting to obtain the funds from elsewhere – particularly as a relationship existed between her and this particular lender which she may not have had with others. If this wasn't a viable option, she may have looked to borrow the funds from a friend or relative – assuming that was even possible.

Or, she may have decided to approach a third-party lender with the same application, or indeed a different application (i.e. for more or less borrowing). But even if she had done that, the information that would have been available to such a lender and how she would (or ought to have) treated an application which may or may not have been the same is impossible to now accurately reconstruct. From what I've seen in this case, I certainly don't think I can fairly conclude there was a real and substantial chance that a new lender would have been able to lend to Ms W in a compliant way at this time.

Having thought about all of these possibilities, I'm not persuaded it would be fair or reasonable to conclude that Ms W would more likely than not have taken up any one of these options. So, it wouldn't be fair to now reduce Morses liability in this case for what I'm satisfied it has done wrong and should put right.

Morses shouldn't have given Ms W loans 3 to 5.

A) Morses should add together the total of the repayments made by Ms W towards interest, fees and charges on these loans, 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 Ms W which were considered as part of "A", calculated from the date Ms W originally made the payments, to the date the complaint is settled.

C) Morses should pay Ms W the total of "A" plus "B".

D) The overall pattern of Ms W's borrowing for loans 3 to 5 means any information recorded about them is adverse, so it should remove these loans entirely from Ms W's credit file.

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

My final decision

For the reasons I've explained, I partly uphold Ms W'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 Ms W to accept or reject my decision before 14 December 2021.

Andy Burlinson
Ombudsman