

## The complaint

Miss O (by the way of her representative) has complained that Morses Club PLC (Morses) gave her unaffordable loans.

## What happened

Our adjudicator partly upheld Miss O's complaint. Morses didn't agree with the adjudicator's opinion. The complaint was then passed to me.

I issued my provisional decision explaining the reasons why I was intending to not uphold Miss O's complaint. A copy of the background to the complaint and my provisional findings follow this and form part of this final decision.

## What I said in my provisional decision:

*Miss O took three loans from Morses between August 2016 and January 2018. A summary of her borrowing, based on the information provided to us from Morses can be found below:*

<b>Loan number</b>	<b>Date taken</b>	<b>Date repaid</b>	<b>Term (weeks)</b>	<b>Loan amount</b>
1	11/08/2016	05/07/2017	33	£300.00
2	05/07/2017	19/01/2018	33	£300.00
3	19/01/2018	07/03/2019	33	£300.00

*For each loan, Miss O was required to make payments of £15 per week.*

*The adjudicator didn't think Miss O's complaint about loans 1 and 2 should be upheld. But the adjudicator did uphold the complaint about loan 3. He said the pattern of lending by loan 3 was harmful to Miss O so this loan ought not to have been provided.*

*It appears that Miss O agreed with our adjudicator's opinion.*

*Morses didn't agree, and in response it said;*

- *three loans in 17 months is not excessive;*
- *the amount Miss O borrowed stayed the same;*
- *loan two was settled early and*
- *the loan three looked affordable based on the information Miss O declared.*

*As no agreement could be reached the complaint has been passed to me for a decision.*

## 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.*

*I've also taken into account the law, any relevant regulatory rules and good industry practice at the time these loans were provided.*

*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 Miss O 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 Miss O. These factors include:*

- the lower a consumer'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 think that it is important for me to start by saying that Morses was required to establish whether Miss O could sustainably repay her loans – not just whether the loan payments were affordable on a strict pounds and pence calculation.*

*Of course, 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 relevant regulations define 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 do so without borrowing further.*

*I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Miss O's complaint.*

#### *Loans 1-2*

*The adjudicator didn't uphold Miss O's complaint about these loans, and Miss O's doesn't appear to disagree with the outcome. So, I won't comment further on these loans, or the level of individual checks Morses completed before approving these loans, as I don't think there is any ongoing disagreement about them.*

#### *Loan 3*

*Our adjudicator upheld Miss O's complaint about this loan because in their view, Miss O was reliant on this lending in part because she'd been indebted for around 17 months. But I don't agree, and I've explained why below.*

*Miss O had been indebted to Morses for 17 months, and in that time she had only taken two*

*previous loans. I acknowledge that Miss O took longer to repay loan one than Moses was expecting, but she'd been able to repay loan two without any obvious problems. But I don't think that on its own is enough for me to be able to conclude loan 3 was harmful for Miss O solely based on the pattern of lending.*

*Especially, taking into account the number of previous loans and the amounts Miss O was borrowing wasn't increasing. And when loan 3 was approved, this was for a fairly modest amount, with payments of only around £15 per week, which would've looked affordable. So, I'm not persuaded that Miss O's lending had been harmful to her based solely on the pattern of lending and / or the time in debt.*

*For these loans I understand that Moses would've asked Miss O about her income and expenditure. For loan 3, the information Moses has provided shows Miss O declared her weekly income was £272 with declared weekly outgoings of £112. So, based on this Moses would've thought Miss O would've been in a position to afford her repayments of £15 per week.*

*However, as I've said, Miss O had been indebted to Moses for around 17 months, and she was coming back for the same value loan on the same day that her previous loan had been repaid. There was no decrease in the amount Miss O was borrowing. Miss O was also, extending her indebtedness out for a further 33 weeks.*

*So, by loan 3, I think Moses needed to have a complete and accurate understanding of Miss O's financial position. It could've done this a number of ways. It could've asked for evidence of her income via a payslip and then asked for evidence of what bills she had. Alternately, Moses could've requested copies of Miss O's bank statements which would've given it an accurate picture of her financial position and would've highlighted any financial difficulties she may have been having.*

*Moses didn't do this, so I don't think the checks were proportionate for loan 3. But that isn't the end of the matter. For me to be able to conclude that Moses shouldn't have given this loan, I have to be satisfied that not only did Moses not carry out a proportionate check, but by not carrying out a proportionate check has this caused Miss O a loss – that being the loan ought not to have been approved because it would've found out that it was unaffordable.*

*I'm not able to do that here, because I've not been provided with any information about Miss O's actual financial position at the time. In the absence of this information, I can't conclude Moses made an error when it approved this loan. Therefore, as it stands, I'm proposing not to uphold this complaint.*

Both Miss O and Moses were asked to provide any further comment and evidence it wanted this Service to consider no later than 7 October 2021.

### **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.

Moses didn't respond to the provisional decision, so I don't know what it thinks about the outcome.

Miss O's representative acknowledged receipt of the provisional decision and said that it would provide any further comments as soon as possible. To date, no further information

has been received, and given the time to respond to the provisional decision has passed, I see no reason to delay the issuing of the final decision.

As neither party has supplied this Service with any new comments or evidence, I see no reason to depart from the findings that I reached in the provisional decision. I still don't think Morse made an error when it approved loans 1 and 2. While it ought to have carried out more in-depth checks for loan 3, I'm not able to conclude, based on the information I have to hand that further checks would've likely showed it that Miss O couldn't afford the repayments she was committed to making.

I'm therefore not upholding Miss O's complaint.

### **My final decision**

For the reasons I've explained above and in my provisional decision, I'm not upholding Miss O's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss O to accept or reject my decision before 10 November 2021.

Robert Walker  
**Ombudsman**