DRN-3107765

The complaint

Ms G, through her representative, complains that Morses Club PLC lent to her irresponsibly.

What happened

Using information from Morses and Ms G, here is a summary of the loans approved.

Loan	Date Taken	Date Repaid	Instalments	Amount	Weekly Repayment
1	15/07/2015	27/12/2015	34	£300.00	£15.00
2	07/12/2015	01/11/2016	52	£1,000.00	£35.00
3	01/11/2016	02/10/2017	52	£1,000.00	£35.00
Six month gap in lending					
4	03/04/2018	07/06/2019	52	£700.00	£24.50

According to the Morses records we have seen, Loan 1 was repaid 10 weeks early and Ms G received an early settlement rebate (ESR). Loans 2 and 3 were repaid a little early. Loan 2 appears to overlap with loan 1 for about ten days. It does appear from the records that all the loans have been repaid.

Our adjudicator did think that for the later loans, Morses ought to have carried out additional checks. But as he had no information from Ms G about her financial position then he was not able to review what it was that Morses may have seen if it had done those additional checks. And our adjudicator did not consider that Morses needed to put things right for Ms G.

Ms G has disagreed with this outcome and wants it reviewed but has given no reasons as to why and has not send any additional evidence.

The complaint remained unresolved and was passed to me to decide. Ms G's representative was informed that the complaint was being referred to an ombudsman for a decision and was asked to send any additional information by 14 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.

We've set out our general approach to complaints about irresponsible 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 Ms G 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 sustainable 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 Ms G's circumstances I do not think that three loans in sixteen months, followed by a six month gap before taking a fourth loan was enough to have established a pattern.

Morses was required to establish whether Ms G 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 Ms G's complaint.

Ms G's evidence is a Claim Audit Form prepared for her representative and submitted with the original complaint letter to Morses. In that form Ms G has given some information her circumstances from the time of the loans. This shows she was employed full time, and she gave some details of her income as £1,200 a month. Ms G listed her expenditure at the time she was borrowing from Morses which amounted to £1,084. It shows a monthly surplus of around £116. Ms G says on that form that it was a difficult time in her life, but she does not give details as to why.

In the early stages of a lending relationship then I think that Morses was entitled to rely on the figures Ms G 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 Ms G then I do not know what those checks might have revealed.

For loans 1 and 2 Ms G gave information to the agent at the time she applied which indicated a surplus (disposable income) for loan 1 of around £116 a week and for loan 2 around £212. Ms G's declared income had increased at the time of loan 2 and according to the agent's records he had seen evidence of that income.

I do think that by the time Ms G returned for a second 52 week, £1,000 loan (loan 3) additional checks ought to have been carried out. But as our adjudicator noted, we have no financial information from Ms G apart from her Claim Audit Form. And that indicates she had a weekly surplus and so likely could afford the loans.

The gap in the lending after loan 3 was significant and, in my view, I think it likely broke the lending relationship. And so, returning for loan 4 after that gap would not necessarily have prompted Morses to carry out additional checks before approving that loan.

And the information she gave to Morses for loan 4 was that she had a weekly income of £320 and outgoings of £183. And so, it would have looked affordable as the repayments were due to be £24.50 a week.

I do not uphold Ms G's complaint.

My final decision

My final decision is that I do not uphold Ms G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms G to accept or reject my decision before 21 December 2021.

Rachael Williams
Ombudsman