

## The complaint

Mr W says Morses Club PLC lent to him irresponsibly. He says that when Morses continued to lend to him which caused him to go further into debt and suffer financial hardship.

## What happened

Our adjudicator thought the complaint shouldn't be upheld. Mr W disagreed with the adjudicator's opinion. The complaint was then passed to me.

I issued my provisional decision saying that Mr W's complaint should be upheld in part. A copy of the background to the complaint and my provisional findings are below in italics, and in smaller font, which forms part of this final decision.

*This complaint is about four home collected loans Morses provided to Mr W between October 2018 and January 2020. Some of the information I have been provided about the lending is in the table below.*

<i>loan</i>	<i>date taken</i>	<i>amount</i>	<i>instalments</i>	<i>date repaid</i>
<i>1</i>	<i>05/10/2018</i>	<i>£300</i>	<i>33</i>	<i>14/06/2019</i>
<i>2</i>	<i>14/06/2019</i>	<i>£500</i>	<i>33</i>	<i>08/01/2020</i>
<i>3</i>	<i>04/09/2019</i>	<i>£300</i>	<i>33</i>	<i>19/05/2020</i>
<i>4</i>	<i>08/01/2020</i>	<i>£700</i>	<i>53</i>	<i>08/01/2021</i>

*Our adjudicator didn't uphold Mr W's complaint. Mr W disagreed with the adjudicator's opinion. In particular he said that he was in a debt management plan when he took the loans from Morses, so it should have been clear that he would struggle to make the repayments.*

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

## **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.*

*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 Mr 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.

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

### **Loans 1 to 3**

I've seen a record of the information Mr W provided when he completed his loan applications for these loans. Mr W said he had a weekly income of between £570 and £650. And he had regular weekly outgoings of, on average, £465. So, it would have been reasonable for Moses to think that Mr W could afford the repayments to these loans.

I also haven't seen any further information that shows its likely Moses was made aware of any financial problems Mr W was having at this stage. Or anything else that would've prompted it to investigate his circumstances further. So, I think it was reasonable for Moses to rely on the information it obtained.

So overall, in these circumstances, I think the assessments Moses did for loans 1 to 3 were proportionate. And I think its decisions to approve these loans was reasonable. I'm not intending to uphold Mr W's complaint about them.

### **Loan 4**

By loan 4, Mr W had been borrowing from Moses for over year. And the amount he borrowed for loan 4 was a significantly larger than his previous loans. He hadn't repaid loan 3 when he took this loan. Added to this, his income was recorded as being £650 per week but his expenditure had increased to around £595. So, there would be very little, if anything, left over when he had repaid the two outstanding loans.

So, I think Moses could've realised at the time that Mr W may have had some longer-term financial problems rather than just using the loans to help with a temporary cash flow problem. Moses should've also become concerned about whether it knew enough about Mr W's true financial situation.

I think that it would've been proportionate to fully review Mr W's financial situation. And I think that Moses needed to verify the information it found out where possible.

If it had done this I think a proportionate check for loan 4 would most likely have shown that Mr W was having problems managing his money. Mr W has provided documents that show he was in a debt management plan at the time. The amounts that he owed other creditors involved were significant, given his circumstances, as was the monthly repayment towards this plan.

So, Mr W was struggling to repay the debts he already had. And it was likely he was borrowing further either to repay these debts or to make ends meet. So, I don't think this lending was sustainable.

I think that Moses would've found out this information if it had made proportionate checks. And I think Moses would've seen Mr W wouldn't have been able repay this loan in a sustainable way. So, I think that Moses shouldn't have given loan to Mr W and I think he's lost out as a result of this. So, I'm upholding Mr W's complaint about loan 4.

Morses, and Mr W, received my provisional decision. Morses didn't have any anything to add after it had seen it. Mr W agreed with what I said. He noted that his poor payment record with Morses should also have led to it realising that it shouldn't have lent to him.

### **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.

As Mr W has noted there were one or two instances of late payments to the loans at times. But I had already considered this in my earlier decision and they partly led me to reach the outcome I have. So, overall, Morses and Mr W didn't raise any new points after receiving my provisional decision.

So, I've reached the same conclusions I reached before, for the same reasons. I won't add anything to what I said earlier as no new issues have been raised.

I still think Morses shouldn't have approved loan 4 and I'm upholding Mr W's complaint about this loan.

### **Putting things right**

In deciding what redress Morses should fairly pay in this case I've thought about what might have happened had it not approved loan 4, as I'm satisfied it shouldn't have.

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

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

Or, he 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 he had done that, the information that would have been available to such a lender and how he 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 Mr 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 Mr 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.

I currently think Morses shouldn't have given Mr W loan 4.

- A) Morses should add together the total of the repayments made by Mr W towards interest, fees and charges on this loan, 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 Mr W which were considered as part of "A", calculated from the date Mr W originally made the payments, to the date the complaint is settled.
- C) Morses should pay Mr W the total of "A" plus "B".
- D) Morses should remove any adverse information it has recorded on Mr W's credit file in relation to loan 4.

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

### **My final decision**

For the reasons I've explained, I partly uphold Mr 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 Mr W to accept or reject my decision before 22 December 2021.

Andy Burlinson  
**Ombudsman**