

## The complaint

Mrs R says Morses Club PLC lent to her irresponsibly.

## What happened

This complaint is about seven home collected loans Morses provided to Mrs R between January 2016 and November 2018.

loan	date taken	amount	weekly instalments	date repaid
1	22/01/2016	£200	20	04/05/2016
2	04/05/2016	£400	33	08/12/2016
3	08/12/2016	£600	33	13/06/2017
4	13/06/2017	£600	33	15/09/2017
5	30/11/2017	£700	33	05/07/2018
6	05/07/2018	£1,000	33	20/08/2018
7	09/11/2018	£500	33	12/07/2019

Our adjudicator partially upheld the complaint. He didn't think that it was irresponsible for Morses to have approved loans 1 to 3. But he thought that Morses shouldn't have approved loans 4 to 7. This is because he thought that the lending pattern itself was harmful at this point.

Mrs R said that she agreed with the outcome the adjudicator had reached.

Morses didn't entirely agree with the adjudicator. It did say that it shouldn't have approved loans 6 and 7. And it made an offer of compensation on the basis the adjudicator had recommended for these loans.

But it disagreed with the adjudicator's opinion about loans 4 and 5. Morses said that its checks showed that all of the loans were affordable, and Mrs R didn't have any problems repaying these loans.

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 Mrs R 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 Moses 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 Mrs R's complaint in part, and I've explained why below.

Mrs R agreed with our adjudicator's opinion about loans 1 to 3. 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 it was part of the borrowing relationship Mrs R had with Moses. So, these loans are something I will take into account when considering the other loans she took.

And Moses has agreed that it shouldn't have approved loans 6 and 7. I won't look at these in detail, but I agree that Moses shouldn't have approved them. I have included the compensation for these loans in 'my putting things right' section below.

I haven't recreated individual, proportionate affordability checks for loans 4 and 5 because I don't think that it is necessary to do so. I've looked at the overall pattern of Moses' lending history with Mrs R, with a view to seeing if there was a point at which Moses should reasonably have seen that further lending was unsustainable, or otherwise harmful. And so Moses should have realised that it shouldn't have provided any further loans.

Given the particular circumstances of Mrs R's case, I think that this point was reached by loan 4. I say this because:

- Mrs R had been indebted to Moses for around 18 months. And she was making a commitment to make repayments for another 33 weeks. I think this is a long time for her to be using high cost credit, given what Moses knew about her circumstances.
- Mrs R's first loan was for £200 and loan 4 was for £600. This is a significant increase. And Mrs R was provided with new loans very shortly after settling her previous ones.
- This suggests to me that Mrs R was not likely borrowing to meet a temporary shortfall in her income but to meet an ongoing, and increasing, need. I don't think there is a pattern of decreasing or managed debt here. And it's likely she would continue to need to borrow going forward.
- And so, it's not that relevant that the information Moses had showed that the loans may be affordable, as the lending pattern itself now looked harmful.
- Mrs R wasn't making any real inroads to the amount she owed Moses. Loan 7 was taken out not far short of three years after Mrs R's first. And Mrs R had taken some large loans within this lending relationship. Mrs R had paid large amounts of interest to, in effect, service a debt to Moses over an extended period.

I think that Mrs R lost out because Moses continued to provide borrowing from loan 4 onwards because:

- These loans had the effect of unfairly prolonging Mrs R's indebtedness by allowing her to take expensive credit over an extended period of time.
- The length of time over which Mrs R 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, I'm upholding the complaint about loans 4 to 7 and Moses should put things right.

### **Putting things right**

In deciding what redress Moses should fairly pay in this case I've thought about what might have happened had it stopped lending to Mrs R from loan 4, 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 Mrs R 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 Mrs R 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 Mrs R would more likely than not have taken up any one of these options. So, it wouldn't be fair to now reduce Moses' liability in this case for what I'm satisfied it has done wrong and should put right.

Moses shouldn't have given Mrs R loans 4 to 7.

A) Morses should add together the total of the repayments made by Mrs R 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 Mrs R which were considered as part of "A", calculated from the date Mrs R originally made the payments, to the date the complaint is settled.

C) Morses should pay Mrs R the total of "A" plus "B".

D) The overall pattern of Mrs R's borrowing for loans 4 to 7 means any information recorded about them is adverse, so it should remove these loans entirely from Mrs R's credit file.

\*HM Revenue & Customs requires Morses to deduct tax from this interest. Morses should give Mrs R 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 Mrs R'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 Mrs R to accept or reject my decision before 7 January 2022.

Andy Burlinson  
**Ombudsman**