

## The complaint

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

## What happened

Our adjudicator partly upheld Ms P'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 not intending to uphold Ms P's complaint. A copy of the background to the complaint and my provisional findings (in italics below) follow this and form part of this final decision.

## What I said in my provisional decision:

*Ms P took three loans from Morses between June 2017 and December 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	02/06/2017	13/12/2017	33	£400.00
2	13/12/2017	13/12/2018	52	£600.00
3	13/12/2018	04/05/2019	52	£800.00

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

*It appears that Ms P agreed with our adjudicator's opinion.*

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

- *three loans in 18 months is not excessive*
- *the loan three looked affordable based on the information Ms P declared*
- *there were no signs of any financial difficulties and*
- *when this loan was provided it was still at the start of the lending relationship.*

*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 Ms P 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 Ms P. 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 Ms P 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 Ms P's complaint.*

#### *Loans 1-2*

*The adjudicator didn't uphold Ms P's complaint about these loans, and Ms P'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. But, for the avoidance of doubt, I don't disagree with the outcome reached about these loans by the adjudicator.*

#### *Loan 3*

*Our adjudicator upheld Ms P's complaint about this loan because in her view, Ms P was reliant on this lending in part because she'd been indebted for around 18 months and the loan amounts were increasing. But I don't agree, and I've explained why below.*

*Ms P had been indebted to Morses for 18 months, and in that time, she had only taken two previous loans and she'd been able to repay loans one and two without any obvious*

problems.

*I've also considered the quick uptake, that being loans 2 and 3 were both granted on the same day the previous loan had been repaid because this could indicate a possible problem. But I don't think that on its own is enough for me to be able to conclude loan 3 was harmful for Ms P solely based on the pattern of lending. So, I'm not persuaded that Ms P'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 Ms P about her income and expenditure. For loan 3, the information Moses was provided, showed Ms P declared her weekly income was £426 with declared weekly outgoings of £279. So, based on this Moses would've thought Ms P would've been in a position to afford her repayments of £28 per week.*

*However, Ms P had been indebted to Moses for around 18 months, and she was coming back for her largest loan on the same day that her previous loan had been repaid. Ms P was also, extending her indebtedness for a further 52 weeks.*

*So, by loan 3, I think Moses needed to have a complete, full and accurate understanding of Ms P'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 Ms P'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 Ms P a loss – that being the loan ought not to have been approved because it would've found out that it was unaffordable.*

*However, I'm not able to do that here, because I've not been provided with any information about Ms P'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 Ms P and Moses were asked to provide any further comments or evidence to this Service no later than 18 October 2021.

Ms P's representative confirmed receipt of the provisional decision and it explained it would let us know when it received a response.

Moses didn't respond to the provisional decision.

### **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.

This Service hasn't heard anything further from Ms P's representative, and as the deadline for a response to the provisional decision has now passed, I see no reason to delay the issuing of the final decision.

As neither party had anything new for me to consider, I see no reason to depart from the findings I made in my provisional decision. I still think the checks for loan three didn't go far

enough, but I've not been able to establish that had Morses carried out further checks it would've likely concluded that Ms P's loan was unaffordable.

So, I'm not upholding Ms P's complaint.

**My final decision**

For the reasons I've explained and in my provisional decision, I'm not upholding Ms P's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms P to accept or reject my decision before 19 November 2021.

Robert Walker  
**Ombudsman**