

The complaint

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

What happened

Ms S was approved for five loans of £400 and using information provided by Morses here is a brief loan table. Information from Morses indicates that the last two loans have been repaid although Ms S has said she still owes it money.

Loan	Start Date	End Date	Capital Amount	Interest amount	Term	Repayment amount each week
1	07/04/2017	15/12/2017	£400.00	£260.00	33	£20.00
2	15/12/2017	15/08/2018	£400.00	£260.00	33	£20.00
3	15/08/2018	27/04/2019	£400.00	£260.00	33	£20.00
4	28/11/2018	04/01/2020	£400.00	£328.00	52	£14.00
5	22/05/2019	18/01/2020	£400.00	£260.00	33	£20.00

One of our adjudicators looked at the complaint and thought that Morses should put things right for Ms S from loan 3. Morses disagreed and gave reasons why. The complaint remained unresolved and was passed to me to decide.

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 didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Ms S could repay the loans in a sustainable manner.

These checks could consider a number of 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:

- 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. Our adjudicator thought that this applied to Ms F from loan 3.

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 Ms S's complaint in part and have explained why below.

I asked for more information from Ms F but nothing has been sent to me and the reply date relating to that requested information has passed.

I asked Moses to send me additional information which it has done and I've factored it into my consideration of the complaint.

Ms S didn't disagree with our adjudicator's opinion about loans 1 and 2. And so I do not need to revisit those. They are relevant so far as the overall lending relationship is concerned.

I haven't recreated individual, proportionate affordability checks for loans 3 to 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 Ms S, 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.

In Ms S's case, I think that this point was reached by loan 3. I say this because:

- At this point he had been indebted to Moses for over sixteen months; and
- Ms S' loans remained at £400 for each and so although it did not show an increase the fact she had to keep coming back is a feature; and at this point Moses ought to have realised that Ms S was likely borrowing to meet an ongoing and increasing need. And this indicates her problems may have been worsening; and
- So, because of these factors, Moses ought to have realised it was more likely than not Ms S' indebtedness was unsustainable; and
- From loan 3 onwards Ms S was provided with a new loan a very short time after she settled her previous loan and loans 3, 4 and 5 overlapped at various dates; and
- Ms S wasn't making any real inroads to the amount she owed Moses. Ms S had paid large amounts of interest to, in effect, service a debt to Moses over an extended period.

I think that Ms S lost out because Moses continued to provide borrowing from loan 3 onwards because:

- these loans had the effect of unfairly prolonging Ms S's indebtedness by allowing her to take expensive credit over an extended period of time.
- the length of time over which Ms S borrowed was likely to have had negative implications on Ms S' ability to access mainstream credit and so kept her in the market for these high-cost loans.

So, overall, I'm also upholding the complaint about loans 3 to 5 and Morses should put things right.

Putting things right

In deciding what redress Morses should fairly pay in this case I've thought about what might have happened had it stopped lending to Ms S from loan 3, 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 Ms S 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 they may not have had with others. If this wasn't a viable option, they may have looked to borrow the funds from a friend or relative – assuming that was even possible.

Or, they 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 they had done that, the information that would have been available to such a lender and how they 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 Ms S in a compliant way at this time.

Having thought about all these possibilities, I'm not persuaded it would be fair or reasonable to conclude that Ms S 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.

Morses shouldn't have given Ms S loans 3 to 5.

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

C) Morses should pay Ms S the total of "A" plus "B".

D) The overall pattern of Ms S's borrowing for loans 3 to 5 means any information recorded about them is adverse, so it should remove these loans entirely from Ms S's credit file. If Morses has sold any of the loans Morses should ask the debt purchaser to do the same.

*HM Revenue & Customs requires Morses to deduct tax from this interest. Morses should give Ms S a certificate showing how much tax Morses has deducted, if they ask for one.

My final decision

My final decision is that I uphold Ms S' complaint in part and Morses Club PLC should do as I have directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms S to accept or reject my decision before 7 February 2022.

Rachael Williams
Ombudsman