

The complaint

Ms A says Morses Club PLC lent to her irresponsibly. Ms A says that she was in a 'debt spiral' and she couldn't afford the repayments towards her Morses loans. She thinks that Morses should've seen this and not lent to her.

What happened

This complaint is about five home collected loans Morses provided to Ms A between June 2013 and February 2014.

loan number	date started	amount borrowed	Term (weeks)	date ended
1	28/06/2013	£250	50	05/06/2015
2	21/09/2013	£800	50	30/08/2016
3	16/11/2013	£250	50	15/01/2016
4	23/11/2013	£800	50	30/08/2016
5	11/02/2014	£600	50	30/08/2016

I understand Ms A hasn't been able to repay loans 2, 4 and 5 in full. The end dates in the table above for these loans, again I understand, refer to the date the accounts were passed to a third-party collection agency.

Our adjudicator partially upheld the complaint. He didn't think that Morses had lent irresponsibly for loans 1 to 3. He thought that it shouldn't have approved loans 4 and 5. This is because it was likely Ms A was having problems managing her money at this time.

Morses agreed with the adjudicator's outcome. Although it did say that Ms A hadn't paid any interest towards loans 4 and 5. And so it would reduce the outstanding balance due so that Ms A would only repay the capital she borrowed for these loans.

Ms A disagreed with the adjudicator's opinion, and Morses' subsequent offer. Ms A didn't say why she didn't agree with the proposed outcome.

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 Ms A 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.

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 A's complaint in part and have explained why below.

Morses accepted our adjudicator's opinion about loans 4 and 5. And I agree that these loans were mis-sold and that Morses should calculate compensation for them. This is for the same reasons the adjudicator said. So, I won't comment further on this lending and I've included the compensation in my putting things right section below.

I've looked at whether Morses irresponsibly lent loans 1 to 3.

As loans 1 to 3 were sold a long time ago Morses doesn't have much information from the time of sale. Ms A has provided her recollections about what her income and expenditure were likely to be at the time. But, again, the information Ms A has provided doesn't give a great amount of detail.

And it's not clear to me if the information Ms A has provided is accurate. For example, Ms A says her income was £10 a week which seems to be very low. So, without supporting evidence, it's difficult for me to rely on this information. Overall, I haven't seen enough to say loans 1 to 3 weren't affordable for Ms A.

And I haven't seen any further information that shows its likely Morses was made aware of any financial problems Ms A might've been having. Or anything that would've prompted it to investigate her circumstances further.

So overall, in these circumstances, I think the assessments Morses did for loans 1 to 3 were likely to be proportionate. And I think its decisions to approve these loans were likely to be reasonable. I'm not upholding Ms A's complaint about them.

Putting things right

Morses shouldn't have given Ms A loans 4 and 5. I've included our standard compensation below, but it should be noted that if Ms A didn't pay any interest on loans 4 and 5 there will be no compensation payable and 'A' and 'B' will not apply.

If Morses has sold the outstanding debts Morses should buy these back if it is able to do so and then take the following steps. If Morses is not able to buy the debts back then Morses should liaise with the new debt owner to achieve the results outlined below.

A) Morses should add together the total of the repayments made by Ms A towards interest, fees and charges on all upheld loans without an outstanding balance, not including anything it has already refunded.

B) Morses should calculate 8% simple interest* on the individual payments made by Ms A which were considered as part of "A", calculated from the date Ms A originally made the payments, to the date the complaint is settled.

C) Morses should remove all interest, fees and charges from the balance on any upheld outstanding loans, and treat any repayments made by Ms A as though they had been repayments of the principal on all outstanding loans. If this results in Ms A having made overpayments then Morses should refund these overpayments with 8% simple interest* calculated on the overpayments, from the date the overpayments would have arisen, to the date the complaint is settled. Morses should then refund the amounts calculated in "A" and "B" and move to step "E".

D) If there is still an outstanding balance then the amounts calculated in "A" and "B" should be used to repay any balance remaining on outstanding loans. If there is still an outstanding balance then Morses should try to agree an affordable repayment plan with Ms A.

E) Morses should remove any adverse information recorded on Ms A's credit file in relation to loans 4 and 5.

*HM Revenue & Customs requires Morses to deduct tax from this interest. Morses should give Ms A 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 Ms A'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 Ms A to accept or reject my decision before 21 December 2021.

Andy Burlinson

Ombudsman