

The complaint

Mr W complains that Morses Club PLC trading as Morses Club was irresponsible in its lending to him.

What happened

Mr W was provided with loans by Morses Club. He has said that he was provided with loans before those listed below however further evidence of these hasn't been provided. Therefore, this decision relates to the loans set out in the table below.

Loan	Date Taken	Date Repaid	Instalments	Amount
1	18/12/2013	18/09/2014	50	£300.00
2	18/09/2014	22/05/2015	50	£500.00
3	22/05/2015	23/03/2016	50	£500.00
4	23/03/2016	16/02/2017	52	£500.00

Mr W says the loans caused him to enter a spiral of debt. He says the checks carried out before they were provided weren't adequate and he was told to change his expenses.

Morses Club issued a final response letter in February 2021. It said that affordability checks were carried out with the agent present before each loan was provided. It didn't agree that the loans were irresponsibly lent given the information provided at the time.

Mr W referred his complaint to this service.

Our adjudicator didn't think she had enough evidence to say that loans 1 and 2 shouldn't have been provided but she upheld this complaint in regard to loans 3 and 4.

Morses Club didn't agree with our adjudicator's view. It said that it relied on the information it was provided with about Mr W's financial situation and that based on this he had a disposable weekly income of £110 before loan 3 and £140 before loan 4 and so the loans were affordable. It didn't accept that having back to back loans showed financial dependence and said that Mr W didn't make it aware of any financial difficulties.

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 short-term lending - including all of the relevant rules, guidance and good industry practice - on our website.

Morses Club 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 that Mr W could afford to 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 Club should fairly and reasonably have done more to establish that any lending was sustainable for a 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 unaffordable.

Before the loans were provided, Morses Club has explained that it carried out affordability checks and asked Mr W about his income and expenses. I haven't seen the evidence supplied before loans 1 and 2 were provided and have noted the information Mr W has provided when raising his complaint about the loans. Noting the repayment amounts due under the loans compared to Mr W's income and without further evidence I do not find I have enough to say that the first two loans shouldn't have been provided.

Our adjudicator upheld this complaint in regard to loans 3 and 4. I note Morses Club's comments about the checks it undertook and that based on these the loan repayments appeared affordable. However, by the time loan 3 was provided Mr W had been borrowing from Morses Club for around 17 months. Each loan was taken out on the day the previous one was repaid and while I note Morses Club's comment about the timing I think this does suggest that Mr W had potentially become reliant on this type of finance. The amount he borrowed increased after the first loan and then remained at the same level for the subsequent loans. Based on this I think that Morses Club should have been concerned by loan 3 that Mr W was reliant on this product and that this loan, and subsequent lending, was unlikely to be sustainably affordable for him. Therefore I uphold this complaint in regard to loans 3 and 4.

Putting things right

In deciding what redress Morses Club should fairly pay in this case I've thought about what might have happened had it stopped lending to Mr W after loan 2, 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 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 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 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 Club's liability in this case for what I'm satisfied it has done wrong and should put right.

My final decision is that I uphold this complaint in regard to loans 3 and 4. Morses Club PLC should:

- refund all interest and charges that Mr W paid on loans 3 and 4;
- pay interest of 8% simple a year on all refunds from the date of payment to the date of settlement*;
- the overall pattern of lending means any information recorded about loans 3 and 4 is adverse. So, all entries about these loans should be removed from Mr W's credit file.

* HM Revenue & Customs requires Morses Club to take off tax from this interest. Morses Club must give Mr W a certificate showing how much tax it's taken off if he asks for one.

My final decision

My final decision is that I partially uphold this complaint. Morses Club PLC should take the actions set out above in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 17 December 2021.

Jane Archer
Ombudsman