

The complaint

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

What happened

Using information from Morses here is a brief table of the approved loans. I've used the one our adjudicator prepared.

Loan	Date Taken	Date Repaid	Instalments (weekly)	Amount	Highest Combined Repayment*
1	17/12/2015	22/03/2016	20	£200.00	£15.00
2	22/03/2016	30/08/2016	33	£300.00	£15.00
3	01/06/2016	04/02/2017	33	£100.00	£20.00
4	30/08/2016	22/02/2017	33	£300.00	£25.00
5	30/08/2016	22/02/2017	33	£100.00	£25.00
6	08/02/2017	04/09/2017	33	£150.00	£27.50
7	22/02/2017	04/09/2017	33	£400.00	-
8	04/09/2017	08/03/2018	33	£550.00	-
9	08/03/2018	13/08/2018	33	£550.00	-
10	13/08/2018	18/06/2019	33	£550.00	-

One of our adjudicators looked at the complaint and in his first view he thought that Morses should put things right for Ms T in relation to loans 6 to 10. Morses agreed and sent to us, and to Ms T's representative, an outline of what that redress sum would be.

At around the same time that our adjudicator received some additional information from Ms T – her bank account statements – it appears that either Ms T or her representative agreed to the loan 6 to 10 outcome.

Our adjudicator reviewed the new evidence to see if it made a difference to his opinion on loans 1 to 5. He thought that Ms T's new evidence indicated that she was having trouble managing her money around that time and so he wrote again to both complaint parties to say that he felt that Morses should put things right for Ms T in relation to loans 4 and 5 (approved on the same day in August 2016) as well as loans 6 to 10.

Ms T's representative confirmed that it had agreed with Morses about loans 6 to 10 already and would agree about the additional uphold on loans 4 and 5 as well.

Morses disagreed with the additional outcome in relation to loans 4 and 5.

The complaint remained unresolved and was passed to me to decide and I issued a provisional decision on 15 December 2021 in which I gave reasons why I did not plan to uphold the complaint in relation to loans 4 and 5.

I gave time for both parties to respond to me. Both Morses and Ms T have replied immediately to say that they agree. So, here I have set out my provisional decision findings (in smaller type face to differentiate it).

The provisional decision dated 15 December 2021

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. We have set out our general approach to complaints about short-term lending - including all the relevant rules, guidance and good industry practice - on our website.

Morses needed to take reasonable steps to ensure that it did not lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Ms T could repay the loans in a sustainable manner. These checks could include several 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.

Morses was required to establish whether Ms T could sustainably repay her loans – not just whether the loan payments were affordable on a strict pounds and pence calculation.

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 Consumer Credit Sourcebook ("CONC") defines 'sustainable' as being the ability to repay without undue difficulties. The customer should be able to make repayments on time, while meeting other reasonable commitments, and 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 will not be able to make their repayments sustainably if they need to borrow further in order to do that. I have carefully considered all the arguments, evidence and information provided in this context and what this all means for Ms T's complaint.

Loans 4 and 5

Our adjudicator had been sent the additional evidence after sending his first view. These were Ms T's bank statements and he reviewed them and thought that Ms T had at least one other home credit loan and another loan as well as the Morses debt. So, he felt that Morses ought to have recognised at that point in the lending relationship, Ms T was not managing her money and so Morses ought not to have approved her applications for loans 4 and 5.

I do not agree. My initial point is that I do not think that a full financial review would have been a proportionate check for Morses to have carried out for the August 2016 loan applications. And my second point is that I have had the benefit of being able to review the July 2016 bank statements leading up to August 2016 – the month in which Loans 4 and 5 were approved – to discover what a full financial review may have revealed even if Morses had carried one out. And having looked carefully at all of Ms T's income and outgoings for July 2016 then I've arrived at a different view.

I have seen that Ms T received around £1,187 income. I have seen that she was paying every two weeks to an estate agency business, likely her rental payments. That amounted to £416 every 4 weeks.

Added to which I have seen that Ms T had several regular outgoings such as TV licence, phone costs, utility bills and council tax and one insurance. These added up to around £147 for that July 2016 month. I have seen from the transactions on her statements that she withdrew cash and spent money on food which, combined, came to around £256. And although I have seen some payments going to another home credit provider of £24.50 a week, I cannot see any other payments for other loans.

I have a copy of Ms T's credit file and having reviewed it Ms T did not have any other loans open in or around July/August 2016 other than the second home credit loan to which I have referred already.

So, my conclusion after subtracting all her outgoings for July 2016 from her income, is that Ms T had around £190 left over, even after repaying the existing Morses loans and the other home credit provider payments.

So, even if I did think that a full financial review was required to have been undertaken by Morses still I do not consider it was irresponsible to approve loans 4 and 5. I am planning not to uphold Ms T's complaint about loans 4 and 5.

Loans 6 to 10

In relation to loans 6 to 10, my understanding is that these have been agreed and Morses has paid to Ms T or her representative the agreed redress sums.

Considering the finality of that resolution relating to those loans I have not considered them at all. And I see no need to include in this decision the usual redress section for the calculations of the money due on loans 6 to 10 as they have been paid over.

For completeness, I endorse the adjudicator's view in relation to loans 6 to 10 but as these have been resolved already I say no more about them.

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.

I repeat all of my provisional decision and my findings here. Both parties have agreed to the outcome and so I see no reason to delay issuing this final decision and there's no reason to depart from those provisional findings.

Putting things right

As loans 6 to 10 have been resolved and the monies due to Ms T paid over then there is nothing else for me to say here.

My final decision

My final decision is that I endorse the resolution for loans 6 to 10. Morses Club PLC is directed to carry out the agreed resolution actions if it's not already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms T to accept or reject my decision before 13 January 2022.

Rachael Williams
Ombudsman