

The complaint

Mrs F says Morses Club PLC lent to her irresponsibly.

What happened

Our adjudicator thought the complaint should be partially upheld. Morses disagreed with the adjudicator's opinion. The complaint was then passed to me.

I issued my provisional decision saying that Mrs F's complaint shouldn't be upheld. A copy of the background to the complaint and my provisional findings, are below in italics and it forms part of this final decision.

This complaint is about four home collected loans Morses provided to Mrs F between July 2017 and February 2019.

<i>loan</i>	<i>date taken</i>	<i>amount</i>	<i>instalments</i>	<i>date repaid</i>
<i>1</i>	<i>14/07/2017</i>	<i>£300</i>	<i>33</i>	<i>26/01/2018</i>
<i>2</i>	<i>26/01/2018</i>	<i>£300</i>	<i>33</i>	<i>08/08/2018</i>
<i>3</i>	<i>08/08/2018</i>	<i>£300</i>	<i>33</i>	<i>28/02/2019</i>
<i>4</i>	<i>28/02/2019</i>	<i>£400</i>	<i>33</i>	<i>26/03/2021</i>

Our adjudicator upheld the complaint. He thought the lending pattern itself showed that by loan 4 Mrs F wasn't repaying her lending sustainably. So, he thought that Morses shouldn't have approved this loan.

Morses disagreed with the adjudicator's opinion. It said that it didn't think four loans in 19 months was excessive and that the information it had about Mrs F's income and expenditure showed that the lending was affordable. The increase in the loan amounts was small overall.

As no agreement has been reached the complaint has been passed to me.

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.

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 Mrs F 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'm currently minded not to uphold Mrs F's complaint and I've explained why below.

For loans 1 to 3 Mrs F needed to repay £15 a week for 33 weeks. This increased to £20 a week for loan 4 over the same term.

I've seen a record of the information Mrs F provided when she completed her loan application. Mrs F's income seems to have varied. It was £450 a week for loan 1, this fell to £175 for loan 2. It rose to £220 for loan 3, and again to £311 for loan 4. Her expenditure was generally around £175 a week except for loan two when it was recorded as being £110. So, I think it was reasonable for Morses to think that these loans were affordable for Miss F.

I haven't seen any further information that shows it's likely Morses was made aware of any financial problems Mrs F might've been having. Or anything that would've prompted it to investigate Mrs F's circumstances further. So, I think it was reasonable for Morses to rely on the information it obtained.

Our adjudicator said that the lending pattern itself showed that Mrs F was struggling financially and that she was likely to be reliant on the lending. But the repayments seem reasonable and the loan amounts didn't vary by much. And looking at the account statements Morses has provided it seems that Mrs F wasn't having any obvious problems making the repayments until the mid-point of loan 4.

I agree that 19 months is a reasonably long time to be using high cost credit. But taking everything else into consideration I don't think this means the lending was unsustainable in this case. So, I don't think it's reasonable to say that Mrs F was reliant on this lending and it wasn't causing her significant problems when Morses approved the loans.

So overall, in these circumstances, I think the assessments Morses did for loans 1 to 4 were proportionate. And I currently think its decision to lend for loans 1 to 4 was reasonable. I'm not intending to uphold Mrs F's complaint about them.

Morses, and Mrs F, confirmed that they had received my provisional decision. And neither party had anything to add after they'd seen it.

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.

Morses and Mrs F didn't raise any new points after receiving my provisional decision. So, I've reached the same conclusion I reached before, for the same reasons, that Morses wasn't wrong to lend to Mrs F.

My final decision

For the reasons set out above, I don't uphold Mrs F's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs F to accept or reject my decision before 16 December 2021.

Andy Burlinson

Ombudsman