

## The complaint

Mrs B, 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 three approved loans for Mrs B.

Loan	Start Date	End Date	Capital Amount	Interest amount	Term	Repayment amount	Weeks Live
1	20/03/2017	07/11/2017	£100.00	£65.00	33	£5.00	33
2	07/11/2017	26/10/2018	£500.00	£410.00	52	£17.50	50
3	26/10/2018	29/11/2019	£500.00	£410.00	52	£17.50	57

Our understanding is that these loans were paid off and so where Mrs B asks in her complaint form for the outstanding balance to be written off then I do not think that applies here.

One of our adjudicators thought that by loan 3 Morses ought to have ceased to lend. Morses disagreed. The unresolved complaint 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 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 Mrs B 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.

These factors include:

- having a low 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 amounts to be repaid being especially high (reflecting that it could be more difficult to meet a higher repayment from a level of income);

- having many loans and/or having these loans over a long period of time (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable);
- coming back for loans shortly after previous borrowing had been repaid (also suggestive of the borrowing 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 considered that this applied to Mrs B's situation.

Morses was required to establish whether Mrs B 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 to do that.

I have carefully considered all the arguments, evidence and information provided in this context and what this all means for Mrs B's complaint.

Mrs B's representative has acknowledged the adjudicator's view and its response suggests that it agrees with that view and was awaiting the outcome. From that it appears Mrs B does not dispute the outcome for loans 1 and 2. Even though I will be considering them as part of the lending relationship Mrs B had with Morses, I will not be reviewing loans 1 and 2 as they appear resolved.

I have looked at the overall pattern of Morses' lending history with Mrs B, with a view to seeing if there was a point at which Morses should reasonably have seen that further lending was unsustainable, or otherwise harmful. And so Morses ought to have realised that it shouldn't have provided any further loans.

Given the circumstances of Mrs B's case, I think that this point was reached at the last loan. I say this because:

- At this point she had been indebted to Morses for seventeen months, and
- Mrs B's first loan was for £100 and loan 3 was for £500. So, the amount Mrs B was borrowing had increased enormously as well as her being indebted to Morses for a significant time.
- because of the above, at this point Morses ought to have known that Mrs B was likely borrowing to meet an ongoing and increasing need. And this indicated her problems may have been worsening. So Morses ought to have realised it was more likely than not Mrs B's indebtedness was unsustainable.

I appreciate that Morses feels that the checks it did were enough to show the lending was affordable. But I think the lending pattern itself shows the loans weren't sustainable.

I think that Mrs B lost out because Morses continued to provide borrowing from loan 3 onwards because:

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

So, overall, I'm upholding the complaint about loan 3 and Moses should put things right.

### **Putting things right**

In deciding what redress Moses should fairly pay in this case I've thought about what might have happened had it stopped lending to Mrs B at 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 Mrs B may have simply left matters there, not attempting to obtain the funds from elsewhere – particularly as a relationship existed between her and this 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 Mrs B 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 Mrs B would more likely than not have taken up any one of these options. So, it wouldn't be fair to now reduce Moses' liability in this case for what I'm satisfied it has done wrong and should put right.

Moses shouldn't have given Mrs B loan 3.

A) Moses should add together the total of the repayments made by Mrs B towards interest, fees, and charges on loan 3, including payments made to a third party where applicable, but not including anything it has already refunded.

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

C) Moses should pay Mrs B the total of "A" plus "B".

D) The overall pattern of Mrs B's borrowing for loan 3 means any information recorded about it is adverse, so it should remove this loan entirely from Mrs B's credit file.

\*HM Revenue & Customs requires Moses to deduct tax from this interest. Moses should give Mrs B a certificate showing how much tax Moses has deducted if she asks for one.

**My final decision**

My final decision is that I uphold Mrs B's complaint in part and Morses Club PLC needs to do as I have directed in the '*putting things right*' section above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 10 May 2022.

Rachael Williams  
**Ombudsman**