

## The complaint

Ms A says Morses Club PLC lent to her irresponsibly. She says that she was already experiencing financial hardship when these loans were approved. And so, she couldn't easily make the repayments. She thinks Morses should've seen this and not lent to her.

## 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 Ms A's complaint shouldn't be upheld. A copy of the background to the complaint and my provisional findings are below in italics. These form part of this final decision.

This complaint is about five home collected loans Morses provided to Ms A between October 2015 and June 2017. Some of the information I have been provided about the lending is in the table below.

loan	date taken	amount	instalments	date repaid
1	06/10/2015	£200.00	20	23/02/2016
2	12/01/2016	£200.00	33	21/07/2016
3	21/07/2016	£200.00	33	01/08/2016
4	15/11/2016	£400.00	33	01/06/2017
5	01/06/2017	£600.00	33	outstanding

I understand that loan 3 was repaid within the 14 day 'cooling off period'. So, it was considered as being cancelled. Morses' records show that Ms A didn't pay any interest to this loan.

Our adjudicator partially upheld the complaint. He didn't think Morses was acting incorrectly when it approved loans 1 to 4. But he thought that the lending pattern was harmful by loan 5 and it was likely that Ms A was dependent on this lending. And so, Morses shouldn't have approved this loan.

Morses disagreed with the adjudicator's opinion. It said that the checks it made showed that the loans were affordable and Ms A didn't have any significant repayment problems until loan 5. It said that approving five loans in 19 months wasn't excessive' and there was a gap of three months between loans 3 and 4.

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 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.

I'm currently minded not to uphold Ms A's complaint. I've explained why below.

I've seen a record of the information Ms A provided when she completed her loan application. Ms A said she had an average weekly income of £425 and she had regular weekly outgoings of £125. The weekly loan repayments varied between £10 and £30, depending on the amount borrowed and whether Ms A was making repayments to more than one loan at a time. But I think it's reasonable to say that Morses would've concluded from this information that Ms A provided that she could afford the loan repayments.

I haven't seen any further information that shows it's 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.

It could have been that by loan 5 Morses should have been looking in more detail at Ms A's circumstances. But Ms A hasn't provided me with any information to show what Morses would've likely seen if it had done better checks. So, I can't reasonably say that Morses should've said that it wasn't responsible to approve this lending.

And, I think it was likely reasonable for Morses to rely on the information it obtained.

Our adjudicator said that the lending pattern itself showed that Ms A was struggling financially and that she was likely to be reliant on the lending at loan 5. But the repayments seem reasonable. And whilst there is some increase in the borrowing these loans still looked affordable. And looking at the account statements Morses has provided it seems that Ms A wasn't having any obvious, or significant, problems making her repayments until after she took loan 5.

I agree that 19 months is a reasonably long time to be using high cost credit. But there was a break of around three months within this period. So, taking everything 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 Ms A was reliant on this lending and it wasn't causing her significant problems when Morses approved the loans.

So overall, in these circumstances, I'm currently minded to think the assessments Morses did

for these loans were proportionate. And I currently think its decisions to lend for loans 1 to 5 were reasonable. I'm not intending to uphold Ms A's complaint about them.

Morses, and Ms A, received my provisional decision. And neither one 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 Ms A didn't raise any new points after receiving my provisional decision. So, I've reached the same conclusions I reached before, for the same reasons. I still don't think that Morses lent irresponsibly here. I won't add anything further to my provisional decision as no one has commented on what I said.

### **My final decision**

For the reasons set out above, and in my provisional decision, I don't uphold Ms A's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms A to accept or reject my decision before 7 January 2022.

Andy Burlinson  
**Ombudsman**