

## The complaint

Mrs M says Morses Club PLC lent to her irresponsibly. Mrs M already had a significant amount of debt when she took the loans from Morses. So, she couldn't easily manage the loan repayments. She thinks that Morses should have found out about 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 Mrs M's complaint shouldn't be upheld. A copy of the background to the complaint and my provisional findings are below in italics and form part of this final decision.

*This complaint is about five home collected loans Morses provided to Mrs M between May 2016 and January 2018.*

| <i>loan no.</i> | <i>date taken</i> | <i>loan amount</i> | <i>weekly instalments</i> | <i>date repaid</i> |
|-----------------|-------------------|--------------------|---------------------------|--------------------|
| <i>1</i>        | <i>13/05/2016</i> | <i>£100</i>        | <i>20</i>                 | <i>30/06/2016</i>  |
| <i>2</i>        | <i>10/08/2016</i> | <i>£200</i>        | <i>20</i>                 | <i>02/03/2017</i>  |
| <i>3</i>        | <i>13/04/2017</i> | <i>£100</i>        | <i>20</i>                 | <i>04/07/2017</i>  |
| <i>4</i>        | <i>04/07/2017</i> | <i>£200</i>        | <i>33</i>                 | <i>08/12/2017</i>  |
| <i>5</i>        | <i>19/01/2018</i> | <i>£250</i>        | <i>33</i>                 | <i>24/08/2018</i>  |

*Our adjudicator partially upheld the complaint. He didn't think that Morses had irresponsibly lent loans 1 to 4. But he did think that it was likely that Mrs M was reliant on the lending by loan 5. And so Morses shouldn't have approved this loan.*

*Morses didn't agree with what the adjudicator said. It didn't think that five loans in 16 months (taking account the breaks in lending) was excessive. The loans looked affordable for Mrs M and her income had risen when she took the later loans. Mrs M didn't have anything to add to what the adjudicator said.*

*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 M 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 intending not to uphold Mrs M's complaint and I've explained why below.*

*I've seen a record of the information Mrs M provided when she completed her loan applications. Mrs M said she had a weekly income of around £250 for the first four loans and around £425 for loan 5. She had regular weekly outgoings of between under £100 to around £140. So, it would have been reasonable for Morses to think that these loans were affordable for Mrs M.*

*But by loan 4 Mrs M had been using this type of lending for over a year. She had taken four loans and there had only been small breaks in the lending.*

*So, I think Morses could've realised at that time that Mrs M may have some longer-term financial problems rather than just using the loans to help with a temporary cash flow problem. Morses should've also become concerned about whether it knew enough about Mrs M's true financial situation. So, I think its checks should've gone further than they did at this point.*

*But Mrs M hasn't provided any information to show me what Morses would've likely seen if it had made better checks. So, I can't say for certain that it would've seen loans 4 and 5 weren't affordable for her, or that it shouldn't have lent for any other reason.*

*And I haven't seen any further information that shows its likely Morses was made aware of any financial problems Mrs M might've been having when loans 4 and 5 were granted. Or anything that would've prompted it to investigate Mrs M'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 M was struggling financially by loan 5. 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. Mrs M's income had increased at this point. And looking at the account statements Morses has provided it seems that Mrs M wasn't having any obvious problems making her repayments.*

*I agree that 16 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 M 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 5 were likely to be proportionate. And I think its decisions to lend for loans 1 to 5 were reasonable. I'm*

*not intending to uphold Mrs M's complaint about them.*

Morses, and Mrs M, received my provisional decision. And no 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 Mrs M 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 won't add anything to what I said earlier as no one has raised any further issues.

### **My final decision**

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

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

Andy Burlinson  
**Ombudsman**