

The complaint

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

What happened

Using information provided by Morses, here is a brief table of the approved loans. Morses has given consent for us to review loans 1 and 2 as well as 3 and , but it has very little information about loans 1 and 2.

Loan	Date	Amount	Term	Weekly repayments	Settled
1	7 March 2013	£100			14 August 2013
2	14 August 2013	£150	34 weeks	£7.50	Still o/s in October 2016
3	7 September 2018	£100	20 weeks	£7.50	13 December 2018
4	13 December 2018	£250	33 weeks	£12.50	Still o/s March 2021

One of our adjudicators thought that Morses should not have approved loans 3 and 4 for Ms B. Our adjudicator's view was that Morses likely knew of Ms B's earlier loan history for loans 2 and that it was still outstanding in 2018 when she applied for loan 3. That plus Ms B's credit file history at the time of applying for loan 3 led our adjudicator to think that Morses ought not to have approved loans 3 and 4. In 2018 Ms B had four County Court Judgments (CCJs) registered against her name.

Morses disagreed. It said:

- at the time it approved loan 3 it would not have known of the lending history for loans 1 and 2. Morses explained - because of the time that had passed the agent would not have been required to search for any existing accounts; and
- additionally, when Loans 3 and 4 were applied for, Miss B's address was provided to us in a different format and so a new account was set up for her, and Morses indicated that there would not have been any cross-referencing; and
- Morses confirmed that although the CCJ records would have known to it from the credit search carried out prior to issuing Loan 3, Morses Club loans were designed to facilitate the lending needs of consumers whatever their situation, and as a non-standard lender it expected its customers to have some adverse credit history; and
- at the time Loan 3 was applied for, Ms B's disposable income was disclosed as £104.99 per week, meaning that the loan repayment of £7.50 amounted to 7.14% of her weekly disposable income; and
- at the time Loan 4 was applied for, Ms B's disposable income was disclosed as £132 each week, meaning that the loan repayment of £12.50 amounted to 9.46% of her weekly disposable income, and Morses would not have considered that excessive.

The complaint remained unresolved and 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've set out our general approach to complaints about irresponsible lending - including all 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 B could repay the loans in a sustainable manner.

These checks could consider 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:

- 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've decided to uphold Ms B's complaint in part and have explained why below.

Ms B didn't disagree with our adjudicator's opinion about loans 1 and 2. Because of this I don't think there is any ongoing disagreement about these loans. So, I won't be deciding about this lending.

But I do make an observation that the little information we have about loans 1 and 2 and Ms B's situation at the time she applied for them would make it difficult to come to any conclusions. This is what our adjudicator thought and I agree.

But loans 1 and 2 were part of the borrowing relationship Ms B had with Morses. So, they are something I will take into account when considering the other loans Ms B took. I realise this is one of Morses reasons it objects to our adjudicator's outcome: that its agent would not have searched for other accounts when Ms B approached Morses for Loan 3 and/or that her

different address '*provided to us in a different format*' meant that a new account was set up for her. And so it says it would not have known of the earlier lending.

On this point I have reviewed the information Morses has sent to us. Despite its final response letter (FRL) only listing the two loans (Loans 3 and 4), when Morses sent to us its file for investigation it was able to send us all the details surrounding loans 1 and 2. And so I am not persuaded that the records for Ms B were so different that no link or cross referencing did not, or could not, happen when Ms B applied for loan 3. Morses had the records and Morses is not saying that Ms B's address was totally different – only that it was in a different format. So, I think it's very likely that a cursory search on Ms B's surname and date of birth likely would have led to her older loan accounts being discovered.

And if I am wrong on that, as I appreciate I do not know the internal agents' working practices, I still think that the explanation given by Morses as to why its agent would not have known about loans 1 and 2 when Ms B applied for loan 3 is weak and I reject it. And one of the reasons I say that is because having seen a copy credit file (a recent one from Ms B dated April 2021) her loan 2 with Morses which commenced in August 2013 still showed on it. And so, the likelihood of Morses not being aware that Ms B still owed it money when she approached them in September 2018 is low as it has said it carried out a search before lending.

Morses has accepted that it carried out a credit search before approving loan 3 and it has accepted that it would have been aware of the CCJs registered against her name. It has not been able to send us the results it obtained in 2018 and so I have reviewed the copy Ms B has sent to us of her personal credit file. Ms B had defaults for a priority bill (water) plus other defaulted accounts in the lead up to applying to Morses for loan 3. And she had four outstanding CCJs. These were two Judgments dating back to September 2016, one in April 2017 and one in June 2018, all of which were, and remain, unsatisfied CCJs.

I appreciate that a poor credit record may not be a reason, on its own, to refuse a person a loan. However, Ms B's existing record, plus the extent of the poor financial management four CCJs demonstrates would be enough for a lender to consider the applications more thoroughly.

Morses has cited Ms B's income and expenditure figures to justify its loan approvals and indicating that the repayments were low and so she could afford it. But affordability – if that was the case – is not always the whole picture. Ms B clearly had had difficult repaying loan 2, and upon reapplying in 2018 her situation had worsened.

It was clear that Ms M was poor at managing her finances, had outstanding CCJs and a long-term outstanding debt with Morses itself. I do not accept that Morses likely did not know, or had no method of discovering, about the loan 2 debt, and I think that Morses lent to her irresponsibly in relation to loans 3 and 4.

Putting things right

In deciding what redress Morses should fairly pay in this case I've thought about what might have happened had it stopped lending to Ms B from 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 Ms B may have simply left matters there, not attempting to obtain the funds from elsewhere – particularly as a relationship existed between her and this particular 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 Ms 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 Ms 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 Ms B loans 3 and 4. I understand that the last loan remains outstanding. And I do think that Moses can offset any redress from loans 3 and 4 to repay the outstanding sum (£25) on loan 2. That way Ms B, hopefully, can move forward with all (or most) of her Moses accounts cleared.

putting things right – what Moses needs to do

- remove all interest, fees and charges applied to loans 3 and 4,
- treat any payments made by Ms B on loan 4 as payments towards the capital on loan 4 of £250,
- if Ms B has paid more than the capital then any overpayments should be refunded to her with 8%* simple interest from the date they were paid to the date of settlement after first settling the loan 2 debt,
- but if there's still an outstanding balance for Ms B to pay, Moses should come to a reasonable repayment plan with Ms B,
- remove any adverse information about loans 3 and 4 from Ms B's credit file.

And if Moses no longer owns the loan 4 debt, and it wants to make a deduction due to the amount owed, then it should buy it back. If it doesn't then it isn't entitled to make any deductions for it from the amount it needs to pay Ms B directly.

*HM Revenue & Customs requires Moses to take off tax from this interest. Moses must give Ms B a certificate showing how much tax it's taken off if she asks for one.

My final decision

My final decision is that I uphold Ms B's complaint in part and I direct that Moses Club PLC does as I have outline above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms B to accept or reject my decision before 28 March 2022.

Rachael Williams
Ombudsman