

## The complaint

Mr B, through his representative, complains that Morses Club PLC lent to him when he could not afford to repay the loans.

## What happened

Using information from Morses, here is a brief table of the approved loans.

Loan Number	Date Taken	Date Repaid	Instalments (weekly)	Loan Amount	Weekly Repayment Amount
1	19/02/2015	03/07/2015	15	£100.00	£10.00
2	18/05/2015	04/09/2015	15	£100.00	£20.00 (combined figure)
3	04/09/2015	15/04/2016	28	£300.00	£18.00
4	13/05/2016	03/03/2017	33	£500.00	£25.00
Gap in lending					
5	19/04/2019	06/12/2019	33	£500.00	£25.00
6	06/12/2019	31/07/2020	34	£500.00	£25.00

Our adjudicator looked at the complaint and thought that Morses should put things right for Mr B for loan 4. He had treated the gap in the lending between loans 4 and 5 as being a significant one. There is a small gap between loans 3 and 4 as well but brief.

Morses agreed with our adjudicator and Mr B did not.

The partially resolved 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've set out our general approach to complaints about high cost, short-term and home credit lending - including all the relevant rules, guidance and good industry practice - on our website.

Morses had to assess the lending to check if Mr B could afford to pay back the amounts he'd borrowed without undue difficulty. It needed to do this in a way which was proportionate to the circumstances. Morses' checks could have considered a number of different things, such as how much was being lent, the size of the repayments, and Mr B's income and expenditure.

I think in the early stages of a lending relationship, less thorough checks might have been proportionate. But certain factors might suggest Morses should have done more to establish that any lending was sustainable for Mr B. These factors include:

- Mr B 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 particular level of income);
- Mr B having a large number of 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);
- Mr B 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 for Mr B.

Morses was required to establish whether Mr B could sustainably repay the loans – not just whether he technically had enough money to make his repayments. Having enough money to make the repayments could of course be an indicator that Mr B was able to repay his loans sustainably. But it doesn't automatically follow that this is the case.

Industry regulations say that payments are sustainable if they are made without undue difficulties and, made on time, while meeting other reasonable commitments and without having to borrow to make them. If a lender realises, or ought reasonably to have realised, that a borrower won't be able to make their repayments without borrowing further, then it follows that it should conclude those repayments are unsustainable.

I've considered all the arguments, evidence and information provided in this context, and thought about what this means for Mr B's complaint.

#### *Earlier loans*

It wasn't until 10 March 2014 that Morses Club bought the business of another lender and Morses has told us it took on the responsibility of any loan that was still active with that other lending business at that point. Any loan that was repaid, sold on or written off before 10 March 2014 would remain the responsibility of that other lending business - now in administration. Additionally, Morses Club acquired a separate additional lending business on 17 May 2015 and was only responsible for any loan still active at that point.

It may be that Mr B had earlier loans – our adjudicator said that there was an indication that there were other loans but neither party has provided anything about this lending so I've only considered the loans in the table at the start of the decision.

Our adjudicator's view focussed on the loans for which Morses was able to provide lending information. And since our adjudicator's view no further details of other loans have been sent to us. So, it seems that these six loans are the ones to consider.

#### *Break in the lending relationship*

I agree that the gap in the lending between March 2017 and April 2019 was enough to break the loan chain which means that I think it entirely reasonable for Morses to have approached Mr B's application for loan 5 as if Mr B was a new customer.

#### *Current position*

Morses has accepted the outcome recommended by our adjudicator – that it should put things right for Mr B for loan 4. Mr B thinks that he should be entitled to further loans being

upheld as part of his complaint but neither he nor his representative have provided any reasons as to why.

So, in the 'putting things right' section below I have outlined what Morses must do for loan 4.

#### *My findings on the five other loans*

In relation to the first two loans in 2015, they were for a modest sum of £100 each and I think it proportionate that Morses looked at and relied on the information Mr B gave them for those two loans. So, having reviewed the information I have, they looked affordable and so I do not uphold Mr B's complaint about loans 1 and 2.

Mr B's third application was for a larger loan of £300 and for a longer term of 28 weeks. But as the repayments for loans 1 and 2 appeared to have been satisfactory, Morses would not have been alerted to any issues surrounding Mr B's ability to pay or Mr B's finances.

And so Morses would not have been prompted to think that it needed to carry out any additional checks over and above what it usually did. I have records from Morses which show that Mr B paid loans 1 and 2 well. This plus the information it had from Mr B was enough for Morses to rely on. And so, I think that Morses carried out proportionate checks.

I do not uphold Mr B's complaint about loan 3.

Morses has agreed to uphold loan 4 and so I consider it resolved and I have not reviewed it.

Loan 5 was the first loan application from Mr B to Morses after 2 years and as I have said earlier I think that Morses' proportionate checks would have been to rely on what Mr B informed it about his finances. Loan 6 was applied for shortly after he had repaid loan 5.

I've seen evidence that Mr B's payslip dated April 2019 was looked at by Morses and that the incomes recorded for loans 5 and 6 were comfortable – around £461 a week and £671 a week respectively. And so, for repayments of £25 a week, Morses would have been acting reasonably to consider that the loans looked affordable.

My understanding from the information I have is that Morses looked at Mr B's outgoings. The outgoings Mr B gave them were weekly of £305 and £250 respectively, and as those did not exceed his income it seems that loans 5 and 6 were affordable.

I note that as part of Mr B's complaint he submitted a schedule of loans he had with other companies. I have no details to verify any of that additional information such as other loan agreements or Mr B's credit file. But I wanted Mr B to know I'd looked at all he had sent.

Many of them were loans with other companies and not taken at the same times as the loans with Morses.

Apart from the Morses loan 4 which did overlap with other loans with other lenders – which Morses has agreed to uphold – then it looks as though all of the loans he took with the other lenders were during the two year gap when he took no loans with Morses.

So, I do not consider these persuasive as most are not relevant.

I do not uphold Mr B's complaint about loans 5 and 6.

#### **Putting things right**

Morses should not have given Mr B loan 4. Morses has agreed to put things right for him.

In deciding what redress Moses should fairly pay in this case I've thought about what might have happened had it not approved loan 4, as I'm satisfied it ought not to have.

Clearly there are a great many possible, and all hypothetical, answers to that question.

For example, having been declined this lending Mr B may have simply left matters there, not attempting to obtain the funds from elsewhere – particularly as a relationship existed between him 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 Mr 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 Mr 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 Mr B loan 4.

- A) Moses should add together the total of the repayments made by Mr B towards interest, fees and charges on loan 4, 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 Mr B which were considered as part of "A", calculated from the date Mr B originally made the payments, to the date the complaint is settled.
- C) Moses should pay Mr B the total of "A" plus "B".
- D) Moses should remove adverse payment information from Mr B's credit file for loan 4.
- E)

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

### **My final decision**

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

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

Rachael Williams  
**Ombudsman**