

## The complaint

Mr F, 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 loans approved for Mr F.

loan	date taken	date repaid	amount borrowed	term	weekly rate	declared income
1	18/06/2010	10/05/2011	£200	34w	£10	-
2	18/05/2011	12/12/2011	£100	34w	£5	-
3	12/12/2011	16/11/2012	£200	34w	£10	-
4	16/11/2012	07/02/2014	£300	50w	£10.50	-
<i>over three years gap in borrowing – treated as new chain of lending</i>						
5	29/08/2017	18/12/2017	£200	33w	£10	£380.00
6	18/12/2017	03/08/2018	£300	33w	£15	£480.00
7	03/08/2018	21/06/2019	£300	33w	£15	£320.00
8	03/08/2019	24/07/2020	£300	33w	£15	£250.00
9	24/07/2020	12/05/2021	£100	34w	£5	£242.49

One of our adjudicators looked at the complaint and thought that because of the repeat nature of the lending and the pattern of borrowing, Morses ought not to have approved loan 4 for Mr F.

Morses disagreed, and no response has been received from Mr F or his representative.

The unresolved complaint was passed to me to decide and I issued a provisional decision on 1 June 2022 in which I gave reasons as to why I considered that Morses had done nothing wrong. The main part of that provisional decision is set out in a later part of this decision and to differentiate it, the provisional decision is in smaller type.

Each party was given time to respond and not having heard from either party despite reminding Mr F's representative, I have decided to issue my decision.

## **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 Mr F 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. 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 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.

### ***My provisional decision findings from 1 June 2022***

The combination of Morses disagreeing with the outcome on loan 4, and Mr F not disagreeing with our adjudicator's opinion (as we have not heard from him or his representative) means that in my view the only loan in dispute is loan 4.

So, I won't be reviewing loans 1 to 3 and loans 5 to 9 in much depth in this provisional decision. And I'll go further and say that with absolutely no evidence about income or expenditure from either party for loans 1 to 3 (and loan 4) then, realistically, I don't consider that I can make any findings at all.

And, in relation to loan 4 on current evidence I do not know enough about Mr F's financial situation to be able to consider it in any more depth. Especially as it appears Mr F has not disagreed with our adjudicator's view.

Plus, I do not agree with our adjudicator on loan 4, as I do not consider we have enough information about Mr F's financial situation to know if the repetitive lending up to that point was enough to have caused him harm and that the repayment of £10.50 a week was unsustainable for him.

I do maintain that by that stage, Mr F's application for loan 4, additional checks by Moses may well have been justified. It was the fourth loan and it was for a 50 week term which I consider justified additional checks to ensure Mr F could afford loan 4 for that term.

However, I have read what Mr F's representative has said but I have no evidence to substantiate his employment or financial position at the time it was approved in 2012. And so, without more, I have no evidence I can review which would tell me what Moses were to have seen even if it had carried out additional checks for that date.

In respect of loans 5 to 9 I do have more information as Moses has been able to submit information it had gathered from 2017 onwards, including a credit search result report for August 2017. And so, considering Mr F's apparent agreement with the outcome for loans 5 to 9, I have reviewed them briefly. On the evidence I have now, I am planning not to uphold loans 5 to 9.

So, on current evidence I am planning not to uphold his complaint.

### ***How did each party respond?***

We have not heard from either party. In the absence of any further representations or evidence, then I see no reason to depart from the provisional findings I made in my provisional decision.

For the same reasons as set out earlier, I do not uphold Mr F's complaint.

### **My final decision**

My final decision is that I do not uphold Mr F's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 15 July 2022.

Rachael Williams  
**Ombudsman**