

## The complaint

Miss B, through a representative complains that Morses Club PLC (Morses) didn't carry out proportionate affordability checks before it granted her loans. Had Morses carried out proportionate checks it would've realised these loans weren't affordable for her.

## What happened

Miss B was advanced, by Morses, at least four collected loans between November 2013 and August 2014. I've included some of the information we've received about these loans in the table below.

loan number	loan amount	agreement date	repayment date	term (weeks)	weekly repayment
9	£1,200.00	06/11/2013	27/08/2014	50	£42.00
10	£700.00	04/07/2014	sold	50	£24.50
11	£600.00	27/08/2014	sold	50	£21.00
12	£500.00	27/08/2014	27/08/2016	50	£17.50

The 'weekly repayment' column in the table above is the cost per week per loan. Where loans overlapped the cost per week increased, for example when loans 9 and 10 were running at the same time Miss B's weekly commitment to Morses was £66.50.

The numbering of the loans is based on Morses' table that it provided the Financial Ombudsman, and which was used by the adjudicator in the assessment. It's likely Miss B had 8 further loans preceding loan 9 in the table above.

Morses has told us it is likely these earlier loans were provided by a different company. This other company was acquired by Morses in March 2014, and it only took responsibility for any loans that were still active at the time of purchase. Therefore, this decision will only be able to deal with the loans listed in the table above.

Following Miss B's complaint Morses wrote to her representative to explain that it wasn't going to uphold her complaint. Miss B's representative didn't accept the outcome and referred the complaint to the Financial Ombudsman Service.

An adjudicator reviewed the complaint and he didn't uphold it. He said, Morses had made a reasonable decision to provide loan 9. However, he thought from loan 10 Morses needed to have carried out more in-depth checks but he hadn't seen anything to suggest loans 10 – 12 were unaffordable for Miss B. Finally, he didn't think the pattern of lending was harmful for Miss B.

Morses didn't respond to the adjudicator's assessment.

Miss B's representative didn't agree with the outcome and asked for an ombudsman's decision. It also provided a full copy of Miss B's credit report which was generated in January 2022.

The adjudicator went back to Miss B's representative and explained that the credit report provided hadn't changed his mind about the outcome he reached as there wasn't enough detail contained within it about Miss B's credit commitments at the time these loans were approved.

As no agreement has been reached, the case has been passed to me to resolve.

### **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 this type of lending - including all the relevant rules, guidance and good industry practice - on our website.

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

With this in mind, 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 Miss B. These factors include:

- Miss 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);
- Miss 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);
- Miss 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 Miss B.

Morses was required to establish whether Miss B could *sustainably* repay the loans – not just whether she technically had enough money to make her repayments. Having enough money to make the repayments could of course be an indicator that Miss B was able to repay her 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 in particular, 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 Miss B's complaint.

Firstly, as some of these loans were approved by a company which Morses took over and the amount of time that has passed since the lending was granted some of the information that would ordinarily be available – such as credit results - is no longer available. Therefore,

this decision is based on the information that I do have to hand and what I think is most likely to have happened.

### **Loan 9**

For this loan Miss B would've likely declared to Moses what her weekly income and weekly expenditure would've been. However, the information that Miss B would've declared to Moses is no longer available and this is due to Moses' data retention policy. So, I don't know the exact amounts she declared. Equally, Miss B hasn't been able to show us what her weekly income and expenditure was at this time.

I think it is unlikely Moses would've approved a loan with weekly repayments that it knew to be unaffordable based on the income and expenditure information that was likely provided. However, at this point in the lending relationship I think asking Miss B for details of her income and expenditure would've, as far as I'm concerned amounted to a proportionate check.

It is also possible, that for this loan some sort of credit check was carried out – but again, due to how long ago this loan was approved Moses doesn't have a record of any results that it may have received.

I'm therefore not upholding Miss B's complaint about this loan.

### **Loans 10 – 12**

Moses says for these loans that it carried out the same sort of checks as it had done so for loan 9. And like loan 9 I don't know what information it collected about Miss B's income and expenditure.

Given what we know, it looks like, for these loans Miss B's income may have been checked with a credit reference agency and/or further credit searches carried out. However, for the reasons I've outlined above, no further information is available.

But notwithstanding my concerns about whether or not a credit search was carried out I don't think relying on what Miss B declared about her income and expenditure would've been sufficient for these loans. This has led me to conclude Moses didn't carry out a proportionate check.

By loan 10 Miss B was returning for another fairly large loan, to be repaid over another year and with commitments still due to Moses for loan 9 meant that she'd be committed to spending over £60 per week to service her two loans with Moses, a not insignificant sum. Her indebtedness (and weekly repayments) were increasing in a way that could've been harmful for her. This ought to have prompted Moses to have carried out further checks.

Instead, I think it needed to gain a full understanding of Miss B's actual financial position to ensure loans 10 - 12 were affordable for her. This could've been done in several ways, such as asking for evidence of her outgoings, or looking at Miss B's bank statements.

The further checks might've helped verify Miss B's declared income and expenditure and possibly revealed whether there was any other information that Moses might've needed to consider about Miss B's financial position.

However, that isn't the end of the matter. For me to be able to uphold the complaint about these loans, I would have to be satisfied that had Moses carried out a proportionate check it would've likely discovered that Miss B couldn't afford these loans.

Miss B's representative was asked to provide copies of Miss B's bank statements – these weren't provided but a copy of her full credit file which was produced in January 2022 was provided.

I've considered this credit report carefully but unfortunately, it doesn't assist me in trying to establish Miss B's credit commitments (or overall financial position) at the time of these loans. This is because data is usually removed from the credit file after six years, and these loans were granted more than six years ago – so information from around the time these loans were advanced is limited.

I can see from the start date of some of the other credit accounts that Miss B likely had some outstanding credit commitments at the time but I can't be sure for most of the accounts what balance she had at the time and how much she was committed to paying these creditors each month.

Therefore, as it stands, and based on the information that I've been given I'm not accurately able to determine what Miss B's financial position was at the time these loans were granted.

Although Morse didn't carry out proportionate checks, I'm not able to conclude that further checks would've led it to believe these loans were unaffordable for Miss B. I'm therefore concluding it was reasonable of Morse to provide this lending.

I'm therefore not upholding Miss B's complaint.

### **My final decision**

For the reasons I've explained above, I'm not upholding Miss B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 31 August 2022.

Robert Walker  
**Ombudsman**