

The complaint

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

What happened

Using information from Morses it seems that Ms M took several loans, seven of which form the complaint and these are summarised in a brief loan table below.

| loan | date taken | date repaid | amount borrowed | term | weekly rate* |
|--|-------------------|--------------------|------------------------|-------------|---------------------|
| 10 | 20/09/2013 | 21/08/2014 | £550 | 50w | £19.25 |
| 11 | 21/08/2014 | 20/03/2015 | £250 | 34w | £12.50 |
| 12 | 20/03/2015 | 23/10/2015 | £250 | 34w | £12.50 |
| <i>Significant gap between lending</i> | | | | | |
| 13 | 07/12/2016 | 27/07/2017 | £400 | 33w | £20 |
| 14 | 17/02/2017 | 27/09/2017 | £150 | 33w | £7.50 |
| 15 | 27/09/2017 | 17/05/2018 | £300 | 33w | £15 |
| 16 | 16/01/2018 | 24/08/2018 | £200 | 33w | £10 |

* weekly rate refers to only the loan in question

Morses Club bought Shopacheck and it has told us it took on the responsibility of any loan that was still active with them at the point they bought that company in March 2014. Any loan that was repaid 2014 would remain the responsibility of Shopacheck. For Ms M's complaint, Morses has said '*Loan 10 & 11 was issued by Shopacheck and Morses Club take responsibility for the sale of these loans.*'

Our adjudicator – in his view – referred to the fact that there was some information to suggest that Ms M may have taken earlier loans, which might have been Shopacheck. Neither Ms M nor Morses Club has been able to provide full details of any previous borrowing. So, our adjudicator proceeded on the basis that the complaint was about these seven loans. Ms M's representative has sent us no more information since that view was issued to them and so I have proceeded on the same basis – seven loans in all.

After Ms M had complained, Morses issued its final response letter (FRL) in which it said it had not done anything wrong. And Ms M referred her complaint to the Financial Ombudsman Service in January 2022.

Our adjudicator treated the gap in the lending as a break in the relationship between Ms M and Morses. That meant that he treated the two lending chains separately. He did not consider that Morses had done anything wrong and did not think that Ms M's complaint should be upheld.

Ms M's representative asked for the complaint to be referred to an ombudsman for a decision and when asked for more details it has given no explanation and no further evidence to substantiate Ms M's claim.

The unresolved 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.

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 M could repay the loans in a sustainable manner.

These checks could take into account 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 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 have decided not to uphold Ms M's complaint and have explained why below.

Preliminary issues

I have looked at the submissions put forward by Ms M's representative, particularly a document which is an excel spreadsheet named '*validation report*'. One of those pages on that validation report spreadsheet lists many other loans by other lenders, with start dates from December 2015 through to November 2018 and end dates ranging from November 2016 to April 2019.

There's little explanation about this spreadsheet and I gather that the submission is that Ms M's representative is saying that she had lots of other debt around the time she was borrowing from Morses. But there's no verification about these loans and so I attach little weight to it. All I have is a list of other lender names and loan dates. No amounts are listed.

The puzzling element is that this information must have come from a credit file of some kind or Ms M's own records and yet no information to substantiate these details have been sent to us. I have referred to this in another decision of mine earlier this month (August 2022) and so it may be that additional evidence for future complaints might be sent to us.

And when I look at the credit search report sent to us from Morses (for the second loan chain as the credit search was carried out in November 2016) then I do not see any correlation with what the '*validation report*' from Ms M's representative says and that set of credit search results. But as I have no means to cross-check this then I have reviewed the list of other lenders on the '*validation report*' and attached little evidential weight to it.

And I agree with our adjudicator that there were two loan chains and that means that I have looked at them separately. The first loan chain was for three loans and the second for four. It means that when Ms M returned to apply for Loan 13 in December 2016, then it was reasonable for Morses to treat Ms M as a new customer and rely on the information she was giving to it.

Loan chain 1

I do think that the first loan was relatively high for an initial application but neither Ms M nor Morses has sent us any information about that time – or for the following loan. It is understandable that as Morses has explained, these were loans it inherited from another company and in any event it cleanses its data after a period and so loans approved in September 2013 and August 2014 may well be ones where that data has been 'cleansed'.

It has sent me the application form for Ms M for loan 12 in March 2015. In that form Ms M declared that she earned £300 a week and her weekly outgoings were £165 leaving her with a disposable income of £135.

And it may be that Ms M has found it difficult to obtain copy bank statements from that time as it was almost a decade ago. And any credit file she sent us now would not extend back that far as the reporting period is six years. Either way – we have very little information from either party on those three loans.

What I do note is that the loan sums decreased and the loan terms increased for loans 11 and 12. Morses has sent us the repayment schedules which do go back to September 2013 (loan 10). And I do have a record from Morses that Ms M had declared her income each week for loan 12 as £300 and her outgoings as £165 leaving her with a disposable income of £165 each week. And so, I have no reason to think otherwise than Morses would have viewed them as affordable.

I cannot see that Morses did anything wrong when assessing that Ms M was able to afford

the loan repayments each week. The loans do not overlap. I have reviewed Ms M's payment history and I do not see anything there which likely would have caused concern to Moses to suggest that Ms M was struggling with the loans. Ms M paid regularly, on time or early and I see no evidence of reliance there. I do not uphold Ms M's complaint about loans 10 to 12.

Loan chain 2

I have more information about loans 13 to 16. I have the credit search results dated November 2016 which would have been just before loan 13. And I have a spreadsheet giving information about Ms M's declared income and expenditure for those four loans. Some of that is duplicated here:

| Income | Expenditure | Disposable income |
|---------|-------------|-------------------|
| £250.00 | £120.00 | £130.00 |
| £250.00 | £120.00 | £130.00 |
| £320.00 | £178.00 | £142.00 |
| £395.00 | £150.00 | £245.00 |

Ms M's disposable income increased as her income increased. So, using the information Moses had I consider it reasonable that it thought the loans affordable.

And I see that loans 13 and 14 did run together which means that for a period – from the approval date of loan 14 to when loan 13 was paid off (a period of about five months) Ms M would have been repaying £27.50 a week.

Having reviewed the repayment schedule for loans 13 and 14, followed by the fact that Ms M applied for a lesser loan and a shorter term when she wanted loan 15 and again for loan 16 then that does not persuade me that Ms M was struggling to repay these loans.

I cannot see that Moses did anything wrong when assessing that Ms M was able to afford the loan repayments each week. Two of the four loans do not overlap. I have reviewed Ms M's payment history and I do not see anything there which likely would have caused concern to Moses to suggest that Ms M was struggling with the loans. Ms M paid regularly, on time or early and I see no evidence of reliance there.

I do not uphold Ms M's complaint about loans 13 to 16.

My final decision

My final decision is that I do not uphold Ms M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms M to accept or reject my decision before 27 September 2022.

Rachael Williams
Ombudsman