

## The complaint

Ms B says Morses Club PLC (Morses) lent to her irresponsibly. Ms B says she was in a 'debt spiral' and she says that Morses shouldn't have lent to her because of this.

## What happened

Our adjudicator thought the complaint should be partially upheld. Morses disagreed with the adjudicator's opinion. The complaint was then passed to me.

I issued my provisional decision saying that Ms B's complaint shouldn't be upheld. A copy of the background to the complaint and my provisional findings are below in italics and form part of this final decision.

## What I said in my provisional decision.

*This complaint is about four home collected loans Morses provided to Ms B between August 2018 and November 2019. Some of the information I have been provided about the loans is in the table below.*

<i>loan</i>	<i>date taken</i>	<i>instalments</i>	<i>amount</i>	<i>date repaid</i>
<i>1</i>	<i>16/08/2018</i>	<i>20</i>	<i>£100</i>	<i>22/11/2018</i>
<i>2</i>	<i>22/11/2018</i>	<i>33</i>	<i>£300</i>	<i>10/05/2019</i>
<i>3</i>	<i>10/05/2019</i>	<i>33</i>	<i>£450</i>	<i>27/11/2019</i>
<i>4</i>	<i>27/11/2019</i>	<i>34</i>	<i>£500</i>	<i>outstanding</i>

*Our adjudicator partially upheld the complaint. She said that loan 4 was a large proportion of Ms B's declared income so she would struggle to repay this loan. Added to this she was taking loans frequently, the amounts she borrowed had increased and her income had decreased.*

*Morses disagreed with the adjudicator's opinion. It said that the loans looked affordable and Ms B didn't have any problems repaying loans 1 to 3. The loans weren't a high proportion of her disposable income.*

*As no agreement has been reached the complaint has been passed to me, an ombudsman, to make a decision.*

## **What I've provisionally 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 of 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 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. With this in mind, 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.*

*I'm currently minded not to uphold Ms B's complaint and I've explained why below.*

*I've seen a record of the information Ms B provided when she completed her loan applications. Ms B said she had a weekly income of about £230 and she had regular weekly outgoings of about £115. This remained the same for the first two loans, but her weekly expenditure fell to about £75 at loan 3 and her income fell to £200 a week before loan 4. Even with this reduction in income, I think it would have been reasonable for Morses to think that Ms B could afford the loan repayments for all of these loans.*

*I haven't seen any further information that shows it's likely Morses was made aware of any financial problems Ms B might've been having. Or anything that would've prompted it to investigate her circumstances further. So, I think it was reasonable for Morses to rely on the information it obtained.*

*Our adjudicator thought that repayments for loan 4 were too great a proportion of Mrs M's declared income. I can see why she said this. Mrs M was paying £25 a week against a recorded income of about £200. This is a fairly high proportion of what could reasonably be described as a fairly modest income.*

*That said, Mrs M's expenditure was recorded as being around £70 a week so she did have some spare money. There had been no repayment problems at this point and the lending pattern itself wasn't, in my view, problematic. For example, the loans didn't overlap. So, I also don't think it's fair to uphold Mrs M's complaint about loan 4 for this reason.*

*So overall, in these circumstances, I currently think the assessments Morses did for loans 1 to 4 were proportionate. And I think its decision to lend for loans 1 to 4 was reasonable. I'm not intending to uphold Ms B's complaint about them.*

Morses, and Ms B, received my provisional decision. And no one had anything to add after they'd seen it.

### **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 and Ms B didn't raise any new points after receiving my provisional decision. So, I've reached the same conclusions I reached before, for the same reasons. I still think that the loans seemed affordable for Ms B given the information Morses had. And I don't think that Morses lent irresponsibly here.

### **My final decision**

For the reasons set out above, I don't uphold Ms B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms B to accept or reject my decision before 26 April 2022.

Andy Burlinson  
**Ombudsman**