

The complaint

Mr B complains that Morses Club PLC lent to him irresponsibly.

What happened

Using information provided by Morses, here is a table of the approved loans.

Loan	Date Taken	Date Repaid	Instalments	Amount	Repayment
1	28/07/2016	18/02/2017	33	£300.00	£15.00
2	22/12/2016	25/07/2017	33	£200.00	£25.00 combined payment sum
3	18/02/2017	25/07/2017	33	£400.00	£30.00
4	02/11/2017	18/10/2018	52	£1,000.00	£35.00
5	18/10/2018	18/02/2019	52	£1,500.00	£52.50
6	31/05/2019	19/10/2021	52	£1,000.00	£35.00

All the loans were repaid early except for loan 6.

In response to Mr B's complaint in September 2021, Morses issued its final response letter (FRL) in November 2021, in which it said that Mr B had declared '*an average income of £404.67, expenditure of £158.03 and a disposable income of £246.64, which was more than adequate to meet your repayments*'.

One of our adjudicators looked at the complaint. He noted that Mr B had taken 5 loans in around twenty two months and the amounts he was borrowing significantly increased over this period and those amounts didn't significantly decrease for the rest of the borrowing relationship. Our adjudicator thought that this showed the loans from loan 5 were unsustainable, and that Morses should put things right for Mr B for loans 5 and 6.

Morses disagreed. It made several points, all of which I have reviewed and some are duplicated here as they are relevant later in the decision:

'We also do not consider 6 loans in 22 months to be excessive, and note that there was a 3 month break in lending between loans 3 and 4, as well as loans 5 and 6 which further suggests that [Mr B] was not relying on these loans to meet his existing financial commitments.'

Mr B acknowledged receipt of the adjudicator's view and said he had no comments to make. From that it seems Mr B accepts the outcome in our adjudicator's view. So, the disputed

loans are loans 5 and 6.

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 Mr B could repay the loans in a sustainable manner.

These checks could consider 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 take Morses' point about the gaps in the lending. I do not consider that the gap of just over three months between loans 3 and 4 and the three month gap between loans 5 and 6 break the lending chain completely. But I do agree that this needs careful thought.

Overall I agree that Morses was wrong to uphold loans 5 and 6 and because of the comments raised by Morses I have reviewed all the information I have about loans 5 and 6. Mr B had been diligent enough to send to us a copy of his credit file and many sets of bank statements which cover the period of lending for loans 5 and 6.

I do think that Mr B's lending pattern altered when he came back for a £1,000 loan in November 2017 when his previous loan had been £400. And the new loan 4 was to be for a longer term of 52 weeks. And then again, he asked for even more in October 2018 when he came back immediately for a £1,500 loan (loan 5). He appears to have used a little of that £1,500 capital to pay off the last bit of loan 4 – this is information from the payment history records I have been sent by Morses.

I do think that by the time Mr B was coming back for a £1,500 loan at loan 5 after being its customer for two years, then Morses ought to have carried out further checks. I don't think it did that.

Morses has told us that it did a credit search on Mr B's history only once and that was in 2016. So, I think that not to have done further searches in 2018 was remiss and demonstrates to me that Morses did not carry out the proportionate checks I would have expected it to have done for loans 5 and 6.

Mr B has sent to us copy bank statements which I have reviewed. And I can see that he was taking out loans to repay other loans. For instance, the repayment history for loan 5 shows that in February 2019 Mr B repaid it early with a large payment of around £1,200. But reviewing his credit file and bank statements I can see that its likely he used another home credit company to obtain funds to repay the Morses loan 5 early. Borrowing to repay other loans is a clear sign of unsustainability and an indication Mr B was not able to cope.

And before loan 5, having reviewed his credit file and bank statements for that period, I have seen that a large loan from another high cost provider credited his bank account in late August 2018, during the life of loan 4 and not long before he applied for loan 5.

And the records I think Morses would have seen show that Mr B was taking several other loans (high cost credit and short term loans) in between loans 5 and 6. Mr B was borrowing from a lender which provides a rolling account credit facility attached to his bank account and those funds he was using to repay debt collectors. On 1 August 2018 Mr B paid £1,294 to a debt collector having just paid back the credit facility provider about that same amount.

So, I think that if Morses had been aware of these sorts of details it would not have approved loans 5 and 6. The overall picture was of a person using credit from one source to repay other lenders and so I accept what Mr B says for the period covering loans 5 and 6.

I uphold Mr B's complaint about loans 5 and 6.

Putting things right

In deciding what redress Morses should fairly pay in this case I've thought about what might have happened had it stopped lending to Mr B from loan 5, as I'm satisfied it ought 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 particular 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.

I understand that all the loans have been repaid by Mr B. Moses should put things right for Mr B by doing as I have outlined here:

- A) add together the total of the repayments made by Mr B towards interest, fees, and charges on loans 5 and 6, including payments made to a third party where applicable, but not including anything you have already refunded.
- B) 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) pay Mr B the total of "A" plus "B".
- D) amend Mr B's credit file by removing any adverse payment information on loans 5 and 6. .

*HM Revenue & Customs requires Moses to deduct tax from this interest. It should give Mr B a certificate showing how much tax has been 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 18 August 2022.

Rachael Williams
Ombudsman