

## **The complaint**

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

## **What happened**

Mr B was approved for one loan on 22 September 2021 and it was for £300 and repayable at £15 a week for 35 weeks. The total to pay was £525. In February 2022 when Morses wrote to us with its response to the complaint it said that the loan was open and the outstanding balance was £525. Morses has informed me of the updated position (September 2022) which is that Mr B has paid nothing towards the loan.

Morses explained that it had credit referenced Mr B's declared income (just under £404 a week) and had run a credit check as well. Mr B had given Morses an expenditure sum of around £135 a week. So, Morses says that it considered the loan affordable.

One of our adjudicators thought that Mr B's credit file revealed enough that Morses ought to have done further checks before lending. But from what she had seen on the information she had from Morses and Mr B she did not think that enough was revealed for the loan application to have been turned down.

Mr B disagreed and so the unresolved complaint was passed to me to decide. I issued a provisional decision on 7 September 2022 in which I gave reasons why I considered that the complaint should be upheld.

I gave time to both parties to respond.

Mr B has accepted my provisional decision and Morses has updated me to say that Mr B has paid nothing towards the loan so far. Morses has told me that the account was passed to a 'DCA' by which I think it means a 'Debt Collection Agency'.

The reply date is today and as I have heard from both parties I issue my final decision now.

## **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 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, but that is not applicable for Mr B as he took one loan only which means that there was no pattern of lending.

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.

Following my provisional decision – the findings for which were the same as those given here – I have decided to uphold Mr B's complaint.

Reviewing Morses credit search the results revealed a great deal of debt and historic financial issues. Mr B had had more than one County Court Judgment in the past (the most recent one being May 2018) which together totalled £2,249, and many defaults, the most recent being only four months before he applied for the Morses loan.

For a first loan and for a modest sum of £300 applied for then normally I would not consider it proportionate for additional checks to be warranted. But here, Mr B had nearly £22,000 worth of debts on the 'active' accounts.

The credit search showed he had 16 active 'SHARE' records, and he was due to repay £787 a month on '*any fixed term accounts which are active*' according to the credit search Morses has provided for us to review.

Mr B had used 16 different companies in the previous six months leading up to the Morses loan application. All of this indicates that Mr B had financial issues and so here I would have expected Morses to have done more.

But whether Morses did do further checks or not, even using the details Morses already had, then I have looked at what Mr B likely would have been repaying each month – or was meant to have been repaying each month – for his credit.

That was £787 plus the £65 (monthly equivalent of £15 a week) for the Morses loan which together would have meant £852 each month.

Mr B's declared (and Morses says verified) income was the monthly equivalent of £1,750 which meant that Mr B was committed to paying between 48% and 50% of his income on all his debts. In the circumstances I consider this to have been far too high to be sustainable. And because of this I think that Morses had enough information before it lent to realise it ought not to have further lent to him.

Since issuing that provisional decision Morses has sent no further information about the core of the complaint. I have reviewed the complaint and my conclusion is the same. I uphold Mr B's complaint.

### **Putting things right**

In my provisional decision I made it clear that on the evidence I had it looked as though Mr B had paid nothing towards the loan and in those circumstances there would be no refund due to him. But nonetheless Mr B was content about the provisional decision and so it seems he did not disagree. So, the core of the debt (£300) is still payable to Morses – without any of the additional fees, interest or charges (including any of the third party DCA's fees and charges). Mr B has paid nothing towards the loan and so there can be no refund or set-off.

Mr B will owe to Morses the capital sum of £300 which means that Morses must remove all unpaid interest and charges which includes any third party's charges as well. But considering what I have said about Mr B's financial position, I remind Morses to approach Mr B and the debt in a positive and sympathetic way.

And I'd expect Morses (and any third party DCA) to amend Mr B's credit file by removing any adverse payment information from there.

### **My final decision**

My final decision is that I uphold Mr B's complaint and I direct that Morses 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 20 October 2022.

Rachael Williams  
**Ombudsman**