DRN-3431467

The complaint

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

What happened

Using information from Mr U and Morses here is a brief table of approved loans for Mr U.

Loan No:	Date Taken	Date Repaid	Weekly Instalments	Loan Amount	Highest Weekly Repayment
1	05/05/2021	07/05/2021	35	£300.00	£15.00
2	13/07/2021	Outstanding	35	£600.00	£30.00

The first loan was, effectively, withdrawn as it was cancelled and repaid within two days. No interest was charged or paid by Mr U and so there was no loss to Mr U.

Loan 2 remains outstanding and a recent Statement of Account indicates that Mr U has made no payments towards the loan.

One of our adjudicators looked at the complaint and wrote to both parties to explain that Morses had done what she expected it to have done, and so she did not think that Morses had done anything wrong. Mr U disagreed and explained that more in-depth checks would've led Morses to realise he could not repay the loans.

Our adjudicator wrote again and explained further that she felt Morses had carried out proportionate checks and that the income and expenditure information it had would have led Morses to consider Mr U was able to afford them. 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.

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.

Loan 1 was effectively withdrawn and Mr U sustained no loss. So, in effect, there is no complaint about that loan as Mr U has not demonstrated any loss. So, I have not reviewed this loan.

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 U 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 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. But I do not consider that this applies to Mr U's situation as he took two loans (one of which was cancelled) and so this was not enough for there to be a 'pattern'.

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've decided not to uphold Mr U's complaint and have explained why below.

For loan 2, Mr U expected Morses to have researched more thoroughly into his financial situation than it did. But as I have outlined above, Morses did not have to do more than carry out proportionate checks. It did not need to carry out a credit search.

In the early stages of a lending relationship and for a £600 loan over a relatively modest term, then I consider that Morses was able to rely on the information Mr U gave it.

I've looked at the information Mr U gave Morses. Mr U had said he had a weekly income of around £452 and expenditure of around £357, leaving him with a disposable income of around £95 each week. The loan 2 repayment each week was £30 and deducting this from the disposable income of £65 meant that Morses considered loan 2 to have been affordable.

Mr U has said that on the call where these income and expenditure figures were being gathered by a Morses representative, he was encouraged to alter the figures. We have asked Morses for a copy call recording and it is not available. I know that Mr U wants us to investigate this more thoroughly but without any evidence of this then I can take this point no further.

And it would have been disproportionate for me to expect Morses to have asked to review Mr U's bank statements when he applied for loan 2 because it was so early in the lending relationship. So although Mr U says that Morses would have seen that he had some particular issues to do with his finances which he says that the bank statement review would have revealed, I never would have expected Morses to have got to that stage.

My final decision

My final decision is that I do not uphold Mr U's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr U to accept or reject my decision before 9 June 2022.

Rachael Williams
Ombudsman