

The complaint

Ms B says Morses Club PLC (Morses) lent to her irresponsibly. She says that she was offered loans when she had struggled to repay the ones she had. Ms B says that she kept borrowing more to repay the loans, and the repayments left her with very little money.

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 should not 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 five home collected loans Morses provided to Ms B between July 2019 to April 2021. Some of the information I have been provided about the lending is in the table below.

<i>Loan</i>	<i>Date Taken</i>	<i>Amount</i>	<i>Instalments</i>	<i>Date Repaid</i>
<i>1</i>	<i>11/07/2019</i>	<i>£300</i>	<i>33</i>	<i>23/12/2019</i>
<i>2</i>	<i>23/12/2019</i>	<i>£300</i>	<i>34</i>	<i>11/09/2020</i>
<i>3</i>	<i>11/09/2020</i>	<i>£300</i>	<i>34</i>	<i>15/04/2021</i>
<i>4</i>	<i>15/12/2020</i>	<i>£300</i>	<i>53</i>	<i>outstanding</i>
<i>5</i>	<i>15/04/2021</i>	<i>£300</i>	<i>35</i>	<i>outstanding</i>

Our adjudicator partially upheld the complaint. He thought that Morses made proportionate checks before approving loans 1 to 3, and these showed the loans were affordable. But he thought that the lending pattern itself had become harmful by loan 4 and so Morses shouldn't have approved loans 4 and 5.

Morses disagreed with the adjudicator's opinion. It said that Ms B had a reasonable amount of spare income each month and the loan repayments were only a small proportion of this. There were no significant repayment problems, which would indicate financial difficulties, while the loans were being approved.

As no agreement has been reached the complaint has been passed to me.

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've provisionally decided not to uphold Ms B's complaint and I've have 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 around £250 (as a broad average). She had regular weekly outgoings of about £100. This left her with a reasonable disposable income. And so, I don't think that it's unreasonable that Morses thought that Ms B could afford the loan repayments.

Our adjudicator said that the lending pattern itself showed that Ms B was struggling financially and that she was likely to be reliant on the lending by loan 4. But the repayments seem reasonable and the loan amounts didn't vary by much. Ms B's income and expenditure was also reasonably stable.

And looking at the account statements Morses has provided Ms B wasn't having any significant problems making her loan repayments. She doesn't seem to be in a 'debt spiral' with her Morses loans or, from what I have seen, any other debt.

I agree that Ms B borrowed from Morses over a reasonably long time. And she still hasn't fully repaid the lending. But taking everything else into consideration, I don't think this means the lending was unsustainable in this case. So, I don't think it's reasonable to say that Ms B was reliant on this lending and I don't think it was causing her significant problems when Morses approved the loans.

It could be said that by the later lending Morses' checks should've gone further than they did. But Ms B hasn't provided any information to show me what Morses would've likely seen if it had made better checks. So, I can't say for certain that it would've seen these loans weren't affordable for her, or that it shouldn't have lent for any other reason. If it had made different checks.

So overall, in these circumstances, I think the assessments Morses did for these loans were proportionate. And I think its decision to lend for loans 1 to 5 was reasonable. I'm not intending to uphold Ms B's complaint about them.

Morses, and Ms B, received my provisional decision. And neither party had anything further to add after they'd seen it. So, I've gone on to make my Final Decision.

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 Morses decision to approve all of these loans was reasonable, and I'm not upholding Ms B's complaint about them. I won't add anything further as both parties didn't have anything to add to my provisional decision.

My final decision

For the reasons set out above and in the provisional decision, 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 18 May 2022.

Andy Burlinson
Ombudsman