DRN-3450634

The complaint

Mr F, through his representative, complains that Morses Club PLC lent to him irresponsibly.

What happened

Using information from Morses here is a brief loan table.

loan	***date taken***	***date repaid***	***amount borrowed***	***term***	***weekly rate***
1	27/07/2017	23/01/2018	£400	33w	£20.00
2	23/01/2018	01/05/2018	£400	33w	£20.00
3	01/05/2018	Outstanding	£850	52w	£29.75

Morses did not uphold Mr F's complaint and sent us information about the checks it did before it approved the loans.

One of our adjudicators did think that Morses ought to have carried out more checks when he applied to it for loan 3 but as Mr F had not sent any information about his financial circumstances in 2018, our adjudicator did not have enough to uphold it.

Mr F disagreed but sent no more information. 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 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 F 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've decided not to uphold Mr F's complaint and have explained why below.

The information Morses had about Mr F's income and expenditure is duplicated here:

loan	income	expenditure	disposable income
1	£500.00	£182.00	£318.00
2	£400.00	£135.00	£265.00
3	£300.00	£133.00	£167.00

Loans 1 and 2

I have reviewed the amount Mr F was asking for, the checks Morses carried out (including the credit search), and the expenditure information Mr F had declared to it. When subtracted from his income this leads me to see why Morses thought that Mr F was able to afford loans 1 and 2 and I refer to the table above where the 'disposable income' for each week is listed there.

I think that Morses carried out proportionate checks and considering Mr F was a new customer and was asking for relatively modest sums over relatively short terms (33 weeks) then I think that its lending decision was reasonable.

Loan 3

Mr F returned on the same day he paid off Loan 2 and wanted an £850 loan which was more than double what he'd asked for before. Yet Morses had recorded that his income had reduced again and was now – for loan 3 – much less than for loan 2. That meant that Mr F's disposable income was reduced to around £167 a week on its own calculations.

So, I do think that Morses ought to have carried out more thorough checks before lending loan 3. Even on its own recorded figures it was clear that Mr F was not in the same financial position he was in for loan 1. And it ought to have asked for more information. I don't think Morses did that.

I have not received anything from Mr F to further support his complaint and so I have not been able to review what it was that Morses may have discovered if it had carried out additional checks before loan 3.

I took time to review the credit search results Morses had carried out. It did this before loan 1 which had been July 2017. Loan 3 was being applied for in the May of the following year and so it was a little out of date.

I have seen that Mr F had additional debt and a recent default but I do not consider that this information alone would have been enough to have not lent to Mr F. I do see that his total monthly repayments on any fixed term accounts which were active was £186 and I have seen that Mr F had declared 'other loans' cost as being around £42 a week for loan 1 which may well have been reference to that. But even factoring that into the figures Morses had when he applied for loan 3, still it would have looked affordable.

Without more from Mr F I understand why Morses lent to him for loan 3. I do not uphold Mr F's complaint.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 4 October 2022.

Rachael Williams
Ombudsman