

## The complaint

Miss C, through her representative, complains that she was approved for loans by Moses Club PLC she could not afford.

## What happened

Using information from Moses here is a brief table of the approved loans.

<i>loan</i>	<i>date taken</i>	<i>date repaid</i>	<i>amount borrowed</i>	<i>term</i>	<i>weekly rate</i>
1	03/11/2020	04/05/2021	£300	34w	£15
2	01/02/2021	o/s	£300	34w	£15
3	04/05/2021	o/s	£400	34w	£20

After Miss C had complained, Moses replied and in its final response letter (FRL) it did not uphold her complaint.

One of our adjudicators thought that by loan 3 Miss C was showing signs of not being able to manage the repayments and some reliance on the credit.

Moses disagreed and said that Miss C had repaid faster than scheduled on Loan 1. And it said to us *'I appreciate when [Miss C] obtained loan 3, she still had loan 2 outstanding; however, the repayment for loan 2 was included in the expenditure when the affordability assessment was completed for loan 3. The assessment showed a total of 11.9% of [Miss C's] uncommitted and available income was taken up by the repayments for loan 3. The combined repayment for loans 2 & 3 only used 8.7% of the customer's weekly income.'*

The unresolved complaint was passed to me to decide.

On 9 September 2022 I issued a provisional decision in which I gave reasons as to why I considered that the complaint should not be upheld.

I gave both parties time to respond.

## 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.

Moses 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 Miss C 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 Moses 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.

### ***My provisional decision findings dated 9 September 2022***

I've provisionally decided not to uphold Miss C's complaint and I explain here.

Miss C gave to Moses her income which Moses has said it verified. And Miss C gave Moses her expenditure figures. That included £55 a week for other loans and having reviewed the credit file Moses obtained that figure of £55 a week did not match the information which showed in those results which was: '*Total monthly payments on all accounts excluding mortgages - which are currently active - £387*'.

£55 a week amounts to £238 a month and so I think that even if Moses had calculated the additional £149 a month (equivalent of around £35 a week) into the figures it had for Miss C still I think it would have calculated that Miss C could afford the loans.

The subtraction of the expenditure from her weekly income left her with what appeared to be plenty of available income to cover the repayments for loans 1 and 2. And my view is much the same for loan 3 especially as the income Miss C declared to Moses (and it said it verified) had increased by about £40 a week for loan 3.

To assess whether it was appropriate to lend to her when she applied for loan 3 I did look at the repayment schedule and I have to agree with Moses – her repayment history – which is a factor to

consider when lenders carry out affordability assessments – does not look to have been erratic or under strain.

Reviewing the credit search Morses carried out before loan 1 does reveal that Miss C had other debt and did have a history of County Court Judgments. The latest one was April 2018 and was several years before she applied for loan 1.

Overall, I do not agree that Miss C's application for loan 3 came at a time which suggested she was reliant on its credit and had struggled to repay up to that point. And it had been a short period of time from applying for loan 1 and applying for loan 3.

I plan not to uphold Miss C's complaint.

### ***Response from the parties***

Neither party has responded to my provisional decision and so I have no reason to alter the findings I came to in that provisional decision. They are repeated here and form the basis for me deciding that I do not uphold Miss C's complaint.

### **My final decision**

My final decision is that I do not uphold Miss C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 25 October 2022.

Rachael Williams  
**Ombudsman**