

The complaint

Mr M has two complaints about Morses Club PLC. The first is that Morses lent to him irresponsibly in September 2021.

The second is that when he wanted to reborrow 10 weeks later the policy had been changed (in August 2021) to mean he was not able to ask for more credit until 26 weeks had passed. Mr M says this was wrong. He says he was mis-led and he was let down as he wanted to obtain further credit in December 2021 for Christmas presents and he was unable to do that.

What happened

Mr M was approved for one loan in September 2021. It was for £300 with a repayment schedule of 35 weeks of £15 each.

I have seen a statement of account and some screenshots where Mr M was texting his agent on 1 December 2021 to enquire about further lending. He was told *'I've just had a look at your account there is no offers on your account at the moment'* to which Mr M replied *'Does that mean I am not eligible or that I have to wait until after the 10th week?'* and the agent replied *'10th week something should come up I'll give you a message as soon as something appears'*.

By 1 December 2021 Mr M had paid off 10 weeks and his outstanding balance was £375. Mr M had paid off the loan by 19 April 2022.

On 20 December 2021 Mr M wrote a follow-up email to the complaint he had made to Morses about the inability to re-apply and/or re-borrow from Morses after 10 weeks. And the points in that email assist me to list the complaint points. I have summarised them here:

- Mr M was told he could have the option of further lending after 10 weeks
- The Morses APP (on-line application portal) stated 10 weeks
- The policy changed in August 2021 and so the APP had been wrong for four months
- Mr M's *'sole reason'* of choosing Morses was *'around this option'* and would *'tie in nicely for Christmas'* so Mr M was disappointed to be told it was 26 weeks before he could apply to reborrow
- Mr M says that rules cannot be changed after a loan agreement has been signed

Mr M also commenced a complaint about the irresponsible lending of his one loan in February 2022 which came after the issue surrounding the 10 week and 26 week issue.

Morses issued two final responses (FRLs). The first was in relation to the 10 week/26 week issue and it said as follows (summarised by me):

- Morses accepted that the *'necessary action was not taken to make the changes on the system when our credit policy was amended to further lending being after 26 weeks rather than 10.'*
- Morses' resolution was to apologise for the distress and inconvenience and to assure Mr M that the *'systems notifications will be brought up to date with our credit policy'*.

When Mr M first emailed the Financial Ombudsman Service on 30 December 2021 sending to us the FRL about the 10/26 week issue and explaining why he felt he was due some compensation, he said:

'This misleading Information and indecent lending on the site, and backed up by the agent was the main reason of choosing morse club and feel I am owed compensation for misleading information and even more so by the agent confirming the misleading information as resent [sic] as December. This company habe [sic] stated several times they are at fault, my complaint is upheld but refuse to compensate Mr [sic] for the irresponsible lending.'

Mr M repeated his submissions to us in February 2022.

One of our adjudicators made enquires with Morses and received information from it about both the irresponsible lending complaint and this 10/26 week issue.

On irresponsible lending our adjudicator looked at the information Morses had from Mr M and the details it had obtained from the credit search it had carried out and she thought that Morses had done nothing wrong.

One the other issue surrounding the 10/26 week issue then our adjudicator addressed it as a *'misleading information and false advertising'* complaint. Our adjudicator thought (summarised by me):

- Morses had confirmed that the policy changed from 10 weeks to 26 weeks in August 2021
- Around December 2021 there was a technical issue which meant that some customers were seeing that they could apply after 10 weeks and this was wrong
- Our adjudicator had seen that Morses had apologised and she considered whether Morses had done enough. She felt that Morses had.
- Our adjudicator further explained that not every bit of wrongdoing necessarily led to compensation. That even if Mr M had been able to apply for a new loan that application would have been subject to the affordability checks all lenders have to carry out and so she was not able to conclude that Mr M had lost out by not being able to apply when he wanted to apply.

Our adjudicator's view was *'I'm satisfied that Morses Club accepted that they had made an error and that they took steps to look into this and make the relevant changes. In this instance, I think them acknowledging this and apologising for any upset this had caused you*

is a fair and reasonable outcome. So I won't be asking them to do anything further to put things right.'

Mr M was not satisfied and so 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.

Irresponsible lending

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 Mr M could repay the loans in a sustainable manner.

These checks could consider a number of 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 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.

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.

Mr M was a new customer to Moses. He was applying for a relatively modest amount for a relatively short loan term. Moses obtained details of his income and expenditure which showed he was able to afford the £15 a week. And for a relatively modest first loan I would not have expected Moses to do much more.

Morses carried out checks which I consider proportionate. It did not need to do a credit search before lending but as it did I have reviewed the results. There was nothing in those results which would necessarily have alerted Morses to Mr M having a problem or not being able to afford the loan.

I've noticed in Mr M's complaint form he hand wrote an additional few points, one of which was he said he had a gambling addiction and had been on a '*self exclusion from gambling until August 2021*'. Mr M added that the money from Morses '*went straight into gambling – have relapsed which has put a strain on my family life.*'

I am sorry to hear of the gambling concerns and I wish Mr M well with that.

If Mr M is wanting to know why Morses lent to him when he had this issue, then I can answer that. Unless Mr M told Morses about this at the time of the application – and there's nothing in the details I have seen which indicates that he did do that – then Morses would not have known of this. And I would not have expected it to have known of this. And it would have been disproportionate to expect Morses to have done anything further that it did for a first loan from a new customer.

I do not uphold this part of Mr M's complaint.

The 10week/26 week issue

Looking to the heart of this part of Mr M's complaint, essentially Mr M is saying that he wanted a loan before Christmas 2021, and he was disappointed and likely frustrated he could not apply. He says it was because he wanted the money for Christmas 2021.

Morses has accepted it did wrong and has explained why and has apologised. It has upheld his complaint and so I need not review that part. It was resolved.

Mr M has referred this part of his complaint to us because he feels that compensation is due.

I have seen some emails which were passed between colleagues within Morses relating to the 10 and 26 week issue. And it gives some insight into what is behind the policy. And having considered irresponsible lending complaints with this and many other home credit companies over a long period, then I consider it a good reason.

The reason seems to be that this embargo on being able to apply for further lending is to act as a stop gap and is part of its 'forbearance' approach. It is to stop people repeatedly and persistently applying for loans without there being a gap. The 10 weeks 'stop' period was enlarged to be 26 weeks which would have been an internal policy issue for it to decide upon. So, I do not consider it to be a measure to cause irritation and upset to the consumer applying to it, but a measure to enforce an element of 'stop' and forbearance.

I agree with our adjudicator that it may have been the case that had Mr M been able to apply before December 2021 then he may not have secured the credit. Each loan would have been reviewed on its own merits and so I am not able to consider that Mr M necessarily lost out as his second application may have been refused. As for the disappointment about being able to obtain credit before Christmas 2021, that may have been inconvenient but there was nothing to stop Mr M applying elsewhere. I do not consider any compensation is due.

Mr M has mentioned that he does not think that 'rules' can be changed after an agreement has been signed. This issue of the 10 and 26 week 'stop' period was a policy issue and not likely written into the credit agreement.

I do not have a copy of that agreement given to Mr M in September 2021 but I have reviewed the standard form of Morses agreements which I have from another complaint and dated 22 September 2021 and Mr M's was 20 September 2021. These are the agreements which I have seen issued over several years on Morses accounts and so I consider it very likely to be the same, or very similar, the one Mr M would have received.

Using that copy Morses credit agreement and using what I know of these types of agreement I can see that there is no 'reborrowing' clause and I think it was very unlikely that there was a reborrowing clause in Mr M's agreement. And if I am wrong on that, and there was such a term in the agreement, then as I have already pointed out, all applications are subject to affordability checks and so there was not likely going to be a promise or indication to Mr M that his second loan would be approved.

I do not consider that this is something that warrants a compensation payment for not being able to apply for a loan which he may not have been approved for even if he had applied for it.

Another strand of Mr M's complaint seems to be that this was mis-leading advertising and if that is the case then that would be a matter for the regulator – the FCA – to address and not us. That relates to financial promotions. We have no influence on the commercial activities or policy making of a commercial lending organisation. We deal with financial complaints to decide if a party has done something wrong. Morses accepted it had got this wrong in relation to the information Mr M was given.

Here, Morses has agreed that it did something wrong. And as it did so in the FRL which was before it was referred to the Financial Ombudsman, then that part was resolved at that point. And so, I consider it a non-uphold.

I do not consider it necessarily attracts any compensatory element. So, I do not uphold this part of Mr M's complaint about wanting to be compensated.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 5 October 2022.

Rachael Williams
Ombudsman