

## The complaint

Ms W (through a representative) complains that Morses Club PLC (Morses) gave her loans she couldn't afford to repay because she was unemployed at the time of the lending.

## What happened

Ms W was advanced 5 home collected loans between January 2014 and February 2016. I've included some of the information we've received about these loans in the table below.

loan number	loan amount	agreement date	repayment date	term of loan (weeks)	weekly repayment
1	£200.00	23/01/2014	20/11/2014	32	£10.00
2	£150.00	02/04/2014	12/02/2015	34	£7.50
3	£150.00	12/02/2015	14/07/2015	34	£7.50
4	£200.00	14/07/2015	11/02/2016	34	£10.00
5	£200.00	11/02/2016	sold	33	£10.00

Ms W had some problems repaying her final loan and Morses has said the outstanding balance was sold to a third-party collection agency in November 2016.

The 'weekly repayment' column in the table above is the cost per week per loan. So, where loans overlapped Ms W's weekly commitment was greater. For example, when loans 1 and 2 were running her weekly commitment to Morses was £17.50 per week.

It is also worth noting that Morses can tell us that prior to loan one in the table above, Ms W had taken a further five loans with another company. Morses purchased this other company in March 2014 at which point it only took responsibility for any loans that were outstanding at the time.

Any loans that were advanced and either fully repaid or sold to a third party before March 2014 would not be the responsibility of Morses. Therefore, this decision can only focus on the 5 loans detailed above.

Following Ms W's complaint. Morses wrote to her representative to explain that it wasn't going to uphold her complaint because it had carried out proportionate checks before these loans were advanced.

Ms W's representative didn't accept the outcome and instead referred the complaint to the Financial Ombudsman Service.

The case was then considered by an adjudicator and it was partly upheld. He thought it was fair for Morses to have granted loans 1 – 4. However, he concluded loan 5 shouldn't have been advanced because it was clear that the lending was now harmful to Ms W.

Ms W's representative responded and appears to have accepted the adjudicator's findings.

At the same time, it provided a spreadsheet of Ms W's loan history – which mirrors the loan table above.

It also said that it would ask Ms W for copies of her bank statements. Later it told us that Ms W didn't have a bank account at the time. Instead Ms W received her money through the Post Office because she was in receipt of benefits.

Morses disagreed with the adjudicator's decision to uphold loan 5. In summary it said:

- There was no evidence Ms W was using other lending or other funds in order to meet her repayments.
- Morses wasn't aware of any financial difficulties Ms W may have been having at the time.
- For the year prior to loan 10 (loan 5 in the table above), Ms W didn't receive any arrears notices.
- The income and expenditure information Morses obtained showed it that Ms W was likely to be able to afford the loans she was committed to making.
- Morses considers it appropriate to lend to Ms W because the loans looked affordable and sustainable.

As no agreement has been reached, the case has been passed to me. I then issued a provisional decision outlining that I was intending to not uphold the complaint. to resolve.

A copy of the background to the complaint and my provisional findings follow this in italics and forms part of this final decision.

## **What I said in my provisional decision**

### ***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 this type of lending - including all the relevant rules, guidance and good industry practice - on our website.*

*Ms W appears to have agreed with the adjudicator's findings in relation to loans 1 – 4. So, it seems this lending isn't in dispute and so I no longer think that I need to make a finding about it. But I have kept these loans in mind when thinking about the overall lending relationship between Morses and Ms W.*

*Instead, this decision will focus on whether it was reasonable to advance loan 5 to Ms W.*

*Morses had to assess the lending to check if Ms W could afford to pay back the amounts she'd borrowed without undue difficulty. It needed to do this in a way which was proportionate to the circumstances. Morses's checks could've taken into account a number of different things, such as how much was being lent, the size of the repayments, and Ms W's income and expenditure.*

*With this in mind, I think in the early stages of a lending relationship, less thorough checks might have been proportionate. But certain factors might suggest Morses should have done more to establish that any lending was sustainable for Ms W. These factors include:*

- *Ms W having a low 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 amounts to be repaid being especially high (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
  - Ms W having a large number of loans and/or having these loans over a long period of time (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable);
  - Ms W coming back for loans shortly after previous borrowing had been repaid (also suggestive of the borrowing becoming unsustainable).

*There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable for Ms W.*

*Morses was required to establish whether Ms W could sustainably repay the loans – not just whether she technically had enough money to make her repayments. Having enough money to make the repayments could of course be an indicator that Ms W was able to repay her loans sustainably. But it doesn't automatically follow that this is the case.*

*Industry regulations say that payments are sustainable if they are made without undue difficulties and in particular, made on time, while meeting other reasonable commitments and without having to borrow to make them. If a lender realises, or ought reasonably to have realised, that a borrower won't be able to make their repayments without borrowing further, then it follows that it should conclude those repayments are unsustainable.*

*I've considered all the arguments, evidence and information provided in this context, and thought about what this means for Ms W's complaint.*

### **Loan 5**

*The adjudicator upheld this loan because for a number of factors he concluded that by now this loan was harmful for Ms W because it was now unsustainable to continue to lend to her.*

*I can understand why the adjudicator has concluded this, but I don't think Morses would've concluded that this loan was now so harmful to Ms W.*

*I accept, that Ms W had been indebted to Morses for around two years, which in some situations could be a sign that she was now reliant on these loans or at the very least having longer term money management problems. Neither can I ignore that the lending was consecutive, which could show that Ms W had a continued need for credit – without a break.*

*But I also have to keep in mind that these loans were for fairly small sums to be repaid over a longer period of time than say a payday loan – meaning weekly repayments of £10 per week.*

*There also hadn't been any obvious repayment problems within the last year. So, I don't think I can fairly uphold this loan solely because in effect Ms W had been indebted to Morses for around two years.*

*So, taking everything together, I don't think Morses would've or ought to have realised that this loan was unsustainable for Ms W, but that doesn't mean Morses did all it should've done before advancing this loan.*

*Ms W had declared a weekly income of £373 with outgoings of £135 which gave Ms W a disposal weekly amount of £231 in order to meet her repayment of £10 per week. This may have then led Morses to believe that Ms W had sufficient disposable income and could afford the loan repayment.*

*Overall, I don't think it was reasonable for Moses to have relied on what Ms W declared to it about her income and expenditure. Even though this information suggested Ms W could afford the loan repayments.*

*But that doesn't mean that Moses carried out a proportionate check. I do think the time in debt and the fact that Ms W's lending had increased for this loan ought to have prompted it to consider whether it knew enough about Ms W's financial position.*

*Instead, I think it needed to gain a full understanding of Ms W's actual financial position to ensure loan 5 was affordable. This could've been done in several ways, such as asking for evidence of her outgoings or looking at bank statements and/or Ms W's credit report.*

*This might've helped verify information provided and revealed whether there was any other information that Moses might've needed to consider about Ms W's general financial position.*

*However, that isn't the end of the matter. For me to be able to uphold this loan, I have to be satisfied that had Moses carried out a proportionate check it would've likely discovered that Ms W couldn't afford the loan.*

*Ms W's representative hasn't been able to provide copies of her bank statements (which may have showed us and Moses what other commitments Ms W had and / or her living costs) because at the time Ms W says she didn't have a bank account. Instead, it she says she used the Post Office to manage her finances. This likely means that many or all of Ms W's weekly expenditure was through cash transactions.*

*However, Ms W's representative has provided a copy of her credit report which was generated in October 2021. So, there will be information contained within the report that covered the period of time from when loan 5 was granted. I've considered the credit report to see whether had Moses looked into Ms W's finances in more detail it would've concluded the loan wasn't affordable for her.*

*Looking at the credit report I can see there are a number of County Court Judgements but these were recorded after loan 5 was granted so Moses wouldn't have been aware of them. Based on what I can see it doesn't look like Ms W had any other credit outstanding at the time loan 5 was advanced. Although, there was some indication that she'd borrowed from a high street rent to buy creditor.*

*There would've been a default recorded on the credit file which would've been visible at the time. But the default was recorded around two year before loan 5 was granted so I don't think Moses would've thought that was a sign of current financial difficulties.*

*Based on the information I've been given to date, had Moses done further checks, such as looking at Ms W's full credit report, it would've likely concluded the loan was affordable and sustainable for her.*

*So, without any further information from Ms W about her other living costs which aren't visible on the credit report, it's difficult for me to conclude what Moses would've likely seen had it made better checks.*

*Looking at everything together though, I've not seen quite enough evidence to suggest Moses shouldn't have lent loan 5. Even considering what Ms W declared to Moses for her income and expenditure. I'm therefore minded concluding it was reasonable for Moses to have provided this loan.*

*As this is the case, I'm intending to not uphold Ms W's complaint about this loan and therefore, I'm not intending to uphold Ms W's complaint.*

### **Response to the provisional decision**

Both parties were asked to provide anything further for consideration by the Financial Ombudsman as soon as possible, but no later than 13 May 2022.

However, no further responses have been received from either Morses or Ms W (or her representative). As the deadline for a response to the provisional decision has now passed, I see no reason not to issue the 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.

As no new information or comments have been provided, I see no reason to depart from the findings that I reached in the provisional decision.

I still don't think that Morses carried out a proportionate check for loan 5. But based on the evidence provided to date, including Ms W's credit report, there isn't enough to say that had Morses done the level of check I'd have expected that it would've concluded the loan was unaffordable for her.

As this is the case, I'm not upholding Ms W's complaint.

### **My final decision**

For the reasons I've explained above and in the provisional decision, I'm not upholding Ms W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms W to accept or reject my decision before 15 June 2022.

Robert Walker  
**Ombudsman**