

## The complaint

Miss A complains that Morses Club PLC (Morses) gave her loans she couldn't afford to repay.

## What happened

Miss A was advanced 13 home collected loans between February 2020 and September 2021. I've included some of the information we've received from Morses in the table below.

loan number	loan amount	agreement date	term (weeks)	weekly repayment
1	£200.00	13/02/2020	34	£10.00
2	£200.00	05/05/2020	34	£10.00
3	£200.00	01/07/2020	34	£10.00
4	£200.00	03/08/2020	34	£10.00
5	£100.00	29/09/2020	34	£5.00
6	£200.00	11/11/2020	34	£10.00
7	£200.00	21/12/2020	34	£10.00
8	£200.00	08/02/2021	34	£10.00
9	£100.00	22/03/2021	34	£5.00
10	£200.00	06/05/2021	35	£10.00
11	£300.00	14/06/2021	35	£15.00
12	£200.00	26/07/2021	35	£10.00
13	£100.00	07/09/2021	35	£5.00

Miss A had some problems repaying loans 10 – 13 however, these loans have now been settled following Morses' final response letter.

Following Miss A's complaint Morses wrote to her to explain that it was going to partly uphold her complaint. Morses explained that it would pay compensation to Miss A in relation to loans 3 – 13. This would result in a refund to Miss A of £471.80. Morses also agreed to remove the upheld loans from Miss A's credit file.

Miss A called Morses shortly after the final response was received and agreed to the compensation offered in the final response letter in order to close the complaint.

Miss A then referred her complaint to the Financial Ombudsman Service saying that her support worked told her not to accept the offer because Morses hadn't upheld loans 1 and 2 – and these loans were also unaffordable.

Miss A said she only wanted the Financial Ombudsman to consider the first two loans. She also provided some documentation about her mental health problems and how it impacts her daily life.

Morses asked the Financial Ombudsman Service not to look into Miss A's complaint because she had already accepted an offer in full and final settlement of the complaint.

Morses asked for the complaint to be dismissed.

The case was then considered by an adjudicator he concluded the case should be dismissed. He said Morses had sent a final response letter, that made an offer to Miss A in full and final settlement of the whole complaint. Miss A had accepted the offer and therefore there was no longer an ongoing dispute that needs considering.

Miss A didn't agree with the adjudicator's assessment she said she wanted someone else to look at the complaint because her mental health impacts her ability to deal with and understand things.

As no agreement was reached, the case has been passed to me.

I then issued a provisional decision explaining why I thought the Financial Ombudsman should consider the complaint and why I was intending to not uphold Miss A's complaint about loans 1 and 2 – which were the only loans I was going to consider.

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 the provisional decision**

### ***Why we can look at Miss A's complaint***

*We can help with lots of financial service disputes, but it's not always appropriate for us to do so. Morses says it isn't appropriate for the Financial Ombudsman Service to consider Miss A's complaint because it feels it is resolved and so the case should be dismissed without consideration of the merits. This is because it says Miss A accepted the offer it made for loans 3 - 13 in its final response in resolution of all his complaint.*

*Under the Financial Conduct Authority DISP rules which govern the way we handle complaints, DISP 3.3.4A (for complaints received after 9 July 2015) provides grounds on which we may (my emphasis) dismiss a complaint without looking at the merits first.*

*One of those grounds (and the one which I think is most relevant here) is in DISP 3.3.4A (5) which says: "dealing with such a type of complaint would otherwise seriously impair the effective operation of the Financial Ombudsman Service."*

*I don't think that Miss A's complaint about loans 1 and 2 is one which, if this complaint was to proceed, would fall into the category of being a serious impairment to the Financial Ombudsman's effective operation.*

*Miss A accepts that she did confirm with Morses she wanted the settlement paid to her in relation to loans 3 – 13. But she says her support worker told her that she shouldn't have accepted the offer and she went on to explain that her mental health impacts her ability to understand financial matters. Miss A has also provided the Financial Ombudsman a copy of a letter produced by her social worker which outlines details of her medical history and how her health impacts her decision making – further supporting what Miss A has told us.*

*The medical evidence provided is quite clear to me in showing how Miss A's mental health problems affect her decision making. Morses' notes are also clear that it was on notice of health problems Miss A experienced.*

*Having considered what Miss A is complaining about, the offer as well as the medical evidence provided, I don't think it would impair the Financial Ombudsman's effective*

operation to only consider loans 1 and 2.

*But what I would say is the offer was clear for loans 3 – 13 and this has been accepted. I'm satisfied that there is no longer an outstanding dispute about these loans. And it appears that Miss A isn't expecting us to make a finding about these loans. I'm just making it clear that for these loans, I don't think it would be appropriate for the Financial Ombudsman to reconsider the complaint as compensation has already been accepted and paid.*

*Notwithstanding the above, even if I were to consider these loans, it appears the compensation that Moses offered and what was paid would be in line with what the Financial Ombudsman may have recommended if it was decided that Moses shouldn't have advanced those loans.*

*So, considering everything, I'm satisfied this service can consider a complaint about loans 1 and 2. I've gone on to consider whether, based on the information to hand Moses made a reasonable lending decision for loans 1 and 2.*

### **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.*

*Moses had to assess the lending to check if Miss A 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. Moses'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 Miss A'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 Moses should have done more to establish that any lending was sustainable for Miss A. These factors include:*

- *Miss A 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);*
- *Miss A 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);*
- *Miss A 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 Miss A.*

*Moses was required to establish whether Miss A 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 Miss A 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 Miss A's complaint.*

## **Loans 1 and 2**

*Having looked at the evidence that I've currently been provided I'm intending to not uphold Miss A's complaint about these loans, and I've explained why below.*

*Morse hasn't provided the date these loans were repaid. This means I don't know whether any of the following occurred:*

- 1. The loans ran concurrently.*
- 2. Whether loan 2 was taken out on the same day that loan 1 was repaid (if it was) or*
- 3. Was there some sort of break or gap between loan 1 and 2.*

*But whichever of the above is applicable it wouldn't make a difference to the outcome that I'm intending to reach. It may help if in response to the provisional decision Morses is able to provide the repayment dates for each loan.*

*For both of these loans Morses advanced £200 and Miss A was required to pay at least £10 per week each week, for 34 weeks. So, Morses had to carry out a proportionate check to enable to satisfy itself that she would be in a position to afford the repayments over the lifetime of the agreement.*

*Morses has told us, in the final response letter that Miss A's average income for these loans was £276.50 with expenditure of around £122.50 leaving disposable income of around £154. Which is more than sufficient to afford the weekly repayment of £10.*

*It may help, if in response to the provisional decision Morses can provide a copy of the application forms, just for completeness.*

*It isn't clear from the information provided so far whether a credit search was carried out before either or both loans were approved. It is worth noting that Morses wasn't required by the regulations to do a credit search before granting a loan or indeed carry one out to a specific standard. But what Morses had to do was carry out a proportionate check.*

*I also haven't been provided with a copy of Miss A's credit file, so even if a credit search was carried out, I don't know what Morses may or may not have seen at the time. While Miss A has told us she had County Court Judgements (CCJ) at the time, I don't have any further information about them, because, the presences of a CCJ on a credit file may or may not have led to Morses declining the application(s).*

*But as it was early on in the lending relationship, I don't think it would've been proportionate for Mores to have gathered the level of information needed to show it that the loan was unaffordable – so I don't think it would've been reasonable for Morses to have started to verify the information Miss A had provided. So, for these loans I think Morses carried out proportionate checks which showed Miss A was likely to be able to afford the repayments she was committing to making.*

*I also haven't seen any further information that shows its likely Morses was made aware of*

*any financial problems Miss A might've been having. Or anything that would've prompted it to investigate her circumstances further. So, I think it was reasonable for Morses to rely on the information it obtained and approve these loans.*

*Finally, I've thought about what Miss A says about her mental health problems and how that affected her ability to make financial decisions – this is supported by the letter she has provided the Financial Ombudsman. However, Morses says that the first time it was told about her health problems was in September 2021, which is after these two loans were granted.*

*It's also worth noting here that the guidance says that even if Morses was aware of Miss A's mental health problems at the time the first loan was approved, that wouldn't mean Morses would automatically have made an error by providing it. So, in this case I'm not going to ask Morses to pay any further compensation.*

*I'm therefore intending to not uphold Miss A's complaint about loans 1 and 2. I appreciate Miss A will be disappointed by this outcome, but I hope my explanation has been useful in explaining why I'm intending to reach the outcome that I have.*

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

Both Miss A and Morses were asked to provide any further comments or evidence for consideration as soon as possible, but no later than 3 June 2022.

The adjudicator spoke to Miss A on the phone about the provisional decision and re-sent a copy to her in an email. But no further comments have been received from Miss A.

Morses didn't respond to the provisional decision. Given the deadline for a response has now passed, I see no reason not to proceed 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 comments have been provided then I still think this is a complaint the Financial Ombudsman can consider but only about loans one and two. Taking into account the evidence which has been provided to me, I think Morses made a reasonable decision when it lent loans one and two.

Therefore, I'm not upholding Miss A's complaint about loans one and two.

### **My final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 15 July 2022.

Robert Walker  
**Ombudsman**