

The complaint

Mrs U complains that Morses Club PLC (Morses) gave her incorrect information about a refund she was expected to receive following a complaint she made about unaffordable lending.

What happened

Mrs U initially made a complaint to Morses about being given loans which she couldn't afford. Morses considered this complaint and issued a final response letter on 14 December 2021. This letter explained Morses was going to be partly uphold her complaint about loans 2, 3, 5 and 8. Morses then included a table which showed how the refund had been calculated – a copy of which is below.

Redress Breakdown	
Interest you have paid towards account	Â£435.99
Interest at 8%	Â£58.38
Interest refund	Â£494.37
Tax at 20% deduction	Â£11.68
Total balance deduction	Â£482.70
New payable balance outstanding on your account	Â£1,687.30

Directly underneath this table Morses explained the following:

Please note, the offer outlined in this letter is made in full and final settlement of all aspects of your complaint. If you wish to accept this offer, please contact us on 03300 450 719 to confirm within 14 days of the date of this letter or sign and return the back page of the response. Once we receive your bank details, it can take up to 28 days for the refund to be processed, please allow for the same amount of time if any balance adjustments are required as well.

Following receipt of the final response letter Mrs U called Morses on the same day and gave her bank details. She says the person she spoke confirmed the funds would be in her bank account by 11 January 2022.

Mrs U says she called to see whether Morses on 22 December 2021, and at this point was told that she wouldn't receive the refund of about £500 instead, this amount would be used to reduce her outstanding balance.

Mrs U wanted to raise a complaint about not being paid the refund directly to her. The notes below are taken verbatim from Morses' records.

This is Really (sic) appalling behaviour and would like to take complaint further Three occasions I been told it will be in bank within 28 days and that's what was expecting and then to be told no it is not as coming of balance I am not happy about this and would like to take complaint further as have been mislead several times not once.

Morses considered the complaint and issued another final response letter on 17 January 2022 concerning what Mrs U was told about the refund.

Morses concluded that the information about the refund in the first final response letter was accurate – and it provided a copy of the redress table I've included above. However, it did accept the statement in the first response letter asking for her bank statements was misleading. It also confirmed she had been given incorrect information on '*several telephone calls*'.

Morses apologised and offered £20 goodwill for the misleading information. Unhappy with this response, Mrs U referred her complaint to the Financial Ombudsman Service.

The case was reviewed by an adjudicator. She concluded that it was reasonable for Morses to have used the refund to reduce Mrs U's outstanding balance rather than paying the money directly to her.

She could also see that Morses accepted Mrs U had been provided with mis-leading information about the refund, but she thought what Morses had already agreed to do was fair and reasonable. She concluded no further compensation was due because Morses had acted reasonably in the circumstances.

Mrs U didn't agree with the adjudicator's outcome. In response in summary she said:

- Morses told her that she'd receive a refund.
- If no refund was due, why did Morses ask for her bank account details?
- Mrs U was told she'd receive the refund within 28 days.

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

Firstly, I've considered the table Morses included in the final response letter and what I duplicated at the start of the decision. Based solely on the table, I'm satisfied that Morses did provide a clear answer to what was going to happen with the compensation. That being it would be used to offset Mrs U's current balance which would reduce to around £1,687.

Morses wanting to use the refund due to Mrs U to reduce her outstanding balance is in my view entirely reasonable and in line with the approach that the Financial Ombudsman Service generally takes when a case is upheld, there is a refund due but also an outstanding balance. So, Morses using the refund to pay down Mrs U's balance wasn't unreasonable, and I also don't think – given what the table shows – that an error was made in the table. The table, in my view is an accurate picture of what was going to happen with the redress due to Mrs U.

However, in saying that, the final response letter is mis-leading. It asks Mrs U to call Morses to provide bank details – which weren't needed because the refund table explained that there wouldn't be one. What Morses ought to have done and would've made things clearer for Mrs U is to ask her to accept the offer it had made for the loans it had upheld, rather than asking her to accept the offer and provide bank details. To be clear, bank details didn't need to be provided.

I've not been provided a copy of the call where Mrs U accepted Morses offer but I have been provided with an internal email from Morses that contains Mrs U's bank details. Which indicates and supports what Mrs U says about providing bank details. I don't know the exact circumstances of the telephone conversation, but at the very least, I know bank details were taken.

Mrs U says she was then given a date at which the refund would be paid, which is likely around 28 days from the date of her call. Again, this would've been another opportunity by Morses to have clarified what was going to happen with the redress Mrs U believed she was getting. However, this was missed, and Mrs U ended the call, quite reasonably, believing she was due a refund of around £500.

Overall, Morses has accepted something went wrong here and I agree. Mrs U, due to conflicting information in the final response letter as well as her conversation with Morses' agents believed she was going to get a refund of around £500.

Mrs U discovered there was a problem around 22 December 2021 which was just over a week after she provided Morses with her bank details. This error was discovered quite quickly. I can see from her testimony that she may have already, earmarked the refund for further spending. Ultimately, when Mrs U found out that she wasn't going to receive a refund, there has been a loss of expectation as to what was going to happen.

I understand why Mrs U wants this money paid to her now, unfortunately, in this case I don't think that is fair. I say this because Mrs U still owes a not insignificant amount of money and it wouldn't be right to give her a refund when there is still an outstanding balance to be paid. If it did so, then Morses would just be increasing Mrs U indebtedness which isn't fair.

Also, I wouldn't in this case, seek to make the incorrect information – that she would receive a refund, correct. i.e. Morses is bound to pay her the refund because it told her on a telephone call. Instead, what I've considered is whether the £20 offered to and paid by Morses is fair.

Morses, has already accepted something went wrong here, offered an apologised and paid her £20 for the distress that it caused. I've thought about this carefully and given that Mrs U wasn't going to ever receive the money she thought she was going to get, the error was discovered quite clearly afterwards and Morses has apologised. Overall, given the circumstances, I won't be asking Morses to pay any more.

There is still an outstanding balance that needs to be settled by Mrs U (with the balance having potentially been sold to a third party) but Mrs U must be treated fairly and with forbearance – if required while repaying what is owed.

I appreciate Mrs U will be disappointed by my decision, but I do hope my explanation has been helpful for her to understand why I have reached the outcome that I have.

My final decision

For the reasons I've explained above, I'm not upholding Mrs U's complaint and Morses Club PLC should make the payment of £20 outlined in the second final response letter if it hasn't already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs U to accept or reject my decision before 9 September 2022.

Robert Walker
Ombudsman