

## The complaint

Mrs S complains that Morses Club PLC lent to her irresponsibly as she could not afford to repay the loan.

## What happened

Mrs S took one loan from Morses for £600 on 16 October 2021. It was repayable over 35 weeks at £30 each week. Morses offers home credit loans which means that usually the repayments are made on the doorstep. As at May 2022 it was £720 in arrears. Her last payment – using the records we have - was January 2022.

Morses has said it carried out checks and Mrs S signed documents to say that the income and expenditure she had told them about was correct. Morses had recorded her income as an average of £380 and expenditure as around £212.50 a week. Those weekly outgoings included the following:

Rent £16.15  
Utilities £24.23  
Media £26.77  
Council tax £30  
Credit cards £36  
Other credit £19  
Groceries £60

Mrs S has said that:

- it should have done more checks and then it would have seen she could not afford the loan
- it knew she had over £6,000 on her three credit cards as *'they mentioned they had seen my credit file'*
- Mrs S has sent to us detailed evidence of diagnoses of various medical conditions dated 2016 and a more recent one from February 2022 which gives further detail
- the February 2022 letter has been sent to Morses to demonstrate her mental health situation
- Mrs S says that *'My counsellor has also written in support of conditions and mental health which all should have been taken into account by morses [sic] but were ignored.'*

One of our adjudicators looked at the complaint and thought that it was not a set of circumstances where he thought that Morses had done anything wrong.

Mrs S disagreed and sent to us additional documents, all of which we had already received from Mrs S.

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.

We've set out our general approach to complaints about high cost, short-term and home credit lending - including all the relevant rules, guidance and good industry practice - on our website.

Morses had to assess the lending to check if Mrs S 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' checks could have considered a number

of different things, such as how much was being lent, the size of the repayments, and Mrs S' income and expenditure.

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 Mrs S. These factors include:

- Mrs S 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);
- Mrs S 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);
- Mrs S 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 Mrs S. This does not apply to Mrs S' circumstances as she took one loan which is not enough to create a pattern.

Morses was required to establish whether Mrs S 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 Mrs S 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, 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 Mrs S' complaint.

Mrs S has sent us documents which include copy bank account statements for the period July 2021 to November 2021 and screenshots of her credit file summary position. I've reviewed them for background, but largely I consider them irrelevant as I would not have expected Morses to have reviewed her bank statements before lending on her first loan as a new customer.

As for having adverse information on her credit file, Morses has said that as it's a 'non-

standard' lender then it expects that. I agree and having some adverse credit history is not, on its own, necessarily a reason for Morses to refuse to lend.

Morses had carried out a credit search and has sent to us a copy of the results dated 15 October 2021. Morses did know that Mrs S had total balances on active accounts of £6,470. That results report also indicates that she had five current defaults up to a total value of £628 but the records also showed that these were up to 48 months old (her last one was 39 months old which was over 3 years before) and she'd had no defaults in the previous 24 months. And so that element of the adverse reporting was largely historic.

Morses knew that she was up to 94% up to her limits of her revolving credit accounts (those are ones like credit cards).

Morses knew that her exposure was £33 each month in the category: *'Total monthly payments on all accounts excluding mortgages - which are currently active'*

I consider this to have been relatively low.

Mrs S has sent to us an email outlining why she did not agree with our adjudicator's view. In that email she accepts that she showed her Morses collector proof of her benefits and so although he may have badged it as 'income' I think that both Morses and Mrs S were aware it was income from benefits. Mrs S has explained she also received a small pension from a previous employer.

Mrs S further stressed the poor state of her finances due to excessive credit card debt. She's said:

*'As Morses had seen this from accessing my credit file before agreeing to the loan they should have acted responsibly and declined the loan of £600 as unaffordable due to existing high debts and being on state benefits. Also to note state benefits is not a guaranteed income and can be reviewed at any given time reducing my income dramatically.'*

As I have already outlined above, Morses was required to carry out proportionate checks and that does not necessarily mean a full financial review of the person's situation and circumstances. And where Mrs S was a new customer and was asking for a relatively modest loan over a relatively short term then I think it would have been disproportionate for it to be reviewing bank statements or delving any further into Mrs S' finances. I consider that Morses carried out the checks proportionate in the circumstances and I would not have expected it to do more.

Mrs S' mental health issues have been raised by her as part of her complaint. Morses has said that she did not tell them about it and Morses only became aware of her vulnerabilities when it was informed after the loan had been issued to Mrs S.

In relation to Mrs S' physical and mental health I am very sorry to have learned all that I have from reading the reports Mrs S has sent to us. It appears Mrs S has experienced anguish. But, unless she told Morses about these issues at the time she applied for the loan, then it's not necessarily the case that Morses would have, or ought to have, known of them.

And so, as sad as I am to hear of these issues, I do not consider them to be something that would sway my decision in relation to this loan at the time of the approval in October 2021. I think it's very unlikely Morses would have known of these issues on the day she applied for the loan and there are no notes or any evidence to suggest or show that it did know.

I do not uphold Mrs S' complaint.

I do remind Morses that now it is aware of the nature of Mrs S' mental and physical health it ought to approach the outstanding debt with care and consideration over and above that which it may extend to a person not suffering in the way that Mrs S is.

**My final decision**

My final decision is that I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 24 August 2022.

Rachael Williams  
**Ombudsman**