

The complaint

Mrs D complains that Morses Club PLC lent to her irresponsibly. She could not afford the loan it approved for her in November 2021.

What happened

Mrs D was approved for one loan in November 2021. It was for £300 and due to be repaid over 35 weeks at £15 each week.

After complaining and receiving Morses' final response letter, Mrs D referred her complaint to the Financial Ombudsman Service.

One of our adjudicators looked at the complaint and did not think that he needed to ask Morses to do anything to put things right for Mrs D. She disagreed and made specific reference to the fact that her rent was £600 and the Morses agent had entered it as £69 a week – the monthly equivalent for which was £299. Mrs D says that the agent did this to make the figures work and the loan look affordable.

The unresolved complaint was passed to me to decide. I was persuaded by Mrs D's information surrounding the rental payments and on affordability grounds (not in relation to the allegation that the Morses agent had massaged the figures deliberately). I addressed this in my first provisional decision I issued on 12 September 2022. I outlined my reasons as to why I considered that Morses ought not to have lent to Mrs D. I gave time for both parties to respond.

Since then new evidence has been sent in by Morses about the rental cost. And Mrs D has reiterated her concerns and her objection. I then asked for more information from Mrs D and received it. It was a full copy of the Universal Credit (UC) information she had given to Morses at the time the loan was approved.

This showed that the UC money plus her wages added up to more income than originally recorded. And it showed that the UC money paid to Mrs D included payment to cover a large proportion of the rent.

So, I issued a second provisional decision on 24 October 2022 in which I explained that my view had altered and I gave reasons as to why I considered that Mrs D was able to afford the loan and the complaint ought not to be upheld.

I set out below (in smaller type and italics) the conclusions I came to in my second provisional decision for the avoidance of doubt and for ease of reference:

And my conclusions in this second provisional decision are set out in the following paragraphs.

Morses may have mistakenly recorded Mrs D's weekly net income as being lower than it was, but with the correct figures her income was higher than the £410 a week it used in November

2021. And I can't ignore that.

Morses may have recorded the rent as £299 a month (£69 a week) when it was £600 a month, but as I have demonstrated [in my second provisional decision], factoring that correct rental figure in with the correct income would, in my view, have led to an answer that Mrs D could afford it all plus this loan.

The rental was registered as £69 a week when in fact it was £138.46 a week. So, I think Mrs D's total expenditure was more like £393, possibly £400 a week. And so whichever income figure I use – or Morses had used if it had recorded it correctly - £541.15 or £489.69 (October and September 2021 weekly income figures respectively) then I consider that Mrs D would have been able to afford the £15 a week for the Morses loan.

And I take Morses point that Mrs D would have been offered the opportunity to sign the details as correct.

So, overall, and having investigated this complaint in a lot of detail, with clear factual evidence from both sides, I plan not to uphold Mrs D's complaint for the loan approved for her in November 2021.

I gave a short reply date for both parties as the matter had been proceeding for some time. I did not expect to hear from Morses and I have not. And as it is a non-uphold outcome I do not expect to hear from Morses.

Following my second provisional decision, Mrs D has repeated her concerns and I have outlined here – in summary – her points:

- Mrs D has said that she understands my comments in the second provisional decision
- However, Mrs D says she experienced pressure because when she signed the document to agree to the loan the Morses' agent's daughter was brought into the house and the agent appeared to be in a hurry. Mrs D says she wants this addressed
- Mrs D maintains that the figures were incorrectly recorded and now she says all the figures not just the rent.
- Mrs D says that when the true figures were put through the Morses system the result was that the loan was declined.
- Mrs D has written: *'These were fudged figures because when the true figures were ran[sic] through their system it came up and she [Morses agent] told me that it was declined due to being not affordable but she fudged this information and told me so. It should have been declined based on their system and not fudged.'*

Rather than duplicate both provisional decisions again here I have formulated a final decision in which I address all the points in a succinct manner.

I have decided to proceed with the final decision today as I am not expecting to hear from Morses in response to my second provisional decision and I think this complaint needs resolution for the benefit of both the parties.

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

Morses had to assess the lending to check if Mrs D 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 the repayments, and Mrs D'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 Mrs D.

These factors include:

- Mrs D 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 D 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 D 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 D, but this is not likely for Mrs D's case as she took one loan only.

Morses was required to establish whether Mrs D could sustainably repay the loan – 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 D was able to repay her loan 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.

Following two provisional decisions, I've reconsidered all the arguments, evidence and information in this context, and thought about what this means for Mrs D's complaint.

The loan was Mrs D's first and was for a relatively modest sum of £300. As a new customer I would have expected the Morses agent to have obtained correct information on income and outgoings at the face to face meeting when she applied for the loan. Morses carried out a credit search and took copies of Mrs D's payslip and the Universal Credit information.

Mrs D had declared that she was spending £84 a week on other debt and £11 a week on other loans and £2 a week on credit cards. That added up to £97 which was a large weekly sum and was not quite enough. As the credit file Morses had, told it that her total monthly payments on all accounts excluding mortgages - which were currently active – was £448 which translated to around £103 a week. And so, it had under-calculated that sum but only by a few pounds a week.

Mrs D has always been concerned about the rental payments being registered as £69 a

week which translated into £299 a month. Mrs D sent us evidence in the form of her tenancy agreement of it being £600 a month. After using that information and being persuaded that with the true figures maybe Mrs D could not afford the loan I issued my first provisional decision. Then Morses sent us more evidence and further submissions.

Those altered my view and led to my second provisional decision which was that Mrs D could afford the £15 a week for this loan.

Morses had shown me evidence that the agent *did* ask about Mrs D's rent and took a copy of a payslip from Mrs D dated 1 October 2021 and a screenshot of Ms D's UC payment for the period ending 30 September 2021. Morses has explained its position as this:

'In response to your point about [Mrs D] maintaining that her partner had no income and did not pay 50% of the rent. The agent went through the income & expenditure with the customer and recorded all the information with the customer present. As the customer had declared she shared the bills with her partner this information was recorded on her account, we had no reason to believe this information was untrue. The customer then had the opportunity to read through this information and inform the agent if anything was not correct or factual. The customer then signed to state the information they had declared was factual and correct and they didn't foresee [sic] any changes in circumstance. If the customer now states this information is not correct then we have to consider she may have obtained the loan by deception.'

Considering these comments from Morses, I asked for a full copy of the UC document from Mrs D as it would have been the one that she showed the Morses agent in 2021. Mrs D sent it and that shows most of the details which I have summarised here:

- Mrs D was entitled to a standard allowance of £596.58 for that month.
- And the UC paid towards her housing which was a sum of £524.99. The UC authorities knew her rent was £600 and so confirmed that Mrs D would have to pay her housing costs to her landlord and the shortfall between what it paid her for housing of £524.99 and the £600 rent was £75.01.
- Mrs D received £237.08 as support for one child, and £122.40 as one child in childcare for that month
- Total entitlement before deductions was £1,481.05
- her husband received nothing from UC as he was making a loss from his self-employed earnings.
- Mrs D's earnings reported by her employer was £1,770.38 so the total income for them both was £1,770.38
- Deductions of £930.75
- So total payment to Mrs D for the period ending 30 Sept was £550.30.

Reviewing Mrs D's bank statements, then one account ending *2735 appears to be transfers from the other account and so I think it was the same money just being moved around and by the end of October 2021, it had 11 pence in it. So Mrs D had no savings from what I have seen.

The other account ending *6271 was the account into which her salary and UC payments were made. That shows £550.30 was credited from UC on 7 October 2021 which dovetails with the UC document Mrs D sent us and Morses saw in November 2021. The month before her UC payment, had been £427.90. I can see on those bank statements payments to her landlord of £600 each month.

And that same account was credited with £1,795.38 on 20 September 2021 which would have been Mrs D's wages and £1,695.18 on 20 October 2021. So, her average wages over September 2021 and October 2021 was £1,745.

So, I do think it is correct to view Mrs D's income as a total of £2,345 for October 2021 and £2,122 for September 2021. And it may be that the agent got it wrong, but in resolving the complaint about unaffordability, I cannot ignore the information I have to hand, evidence from both parties, that in fact Mrs D's income was £2,345 net of tax for October 2021.

Which means that even if mistakes were made – for Mrs D to succeed on her complaint I'd have to be satisfied that if Morses had got the details for her income and expenditure right originally, then it would have realised that she was not able to afford the £15 each week to repay the £300 loan.

So, the original declared and recorded amounts for her weekly income and outgoings were as follows:

Income	Expenditure	Disposable income
£410	£324.50	£85.50

I have reappraised them. And I will have to compare like with like – monthly figures with monthly figures and weekly figures with weekly figures.

The declared income figure of £410 a week translated into a monthly net income which would have been £1,776.66. I think that was too low and does not reflect the reality. As I have demonstrated above, Mrs D's net monthly total income was around £2,345 for October 2021.

The combined monthly income (Mrs D's salary plus the UC payments) was £2,345 for October 2021 and £2,122 for September 2021. Those translate into weekly equivalent figures of £541.15 a week and £489.69 a week respectively. The declared and recorded expenditure figure of just over £324 translated into a monthly figure would have been around £1,404.

I note that from the records Morses has sent to us it did obtain a payslip from her and did look at and screenshot her UC payments. So, if anything I think the agent had miscalculated or mis-recorded these. I've seen no evidence of deliberate alteration of the figures.

The rental was registered as £69 a week when in fact it was £138.46 a week. So, I think Mrs D's total expenditure was more like £393, possibly £400 a week rather than the £324.50 Morses had recorded.

And so whichever weekly income figure I use – or Morses had used if it had recorded it correctly - £541.15 or £489.69 (October and September 2021 weekly income figures respectively) then I consider that Mrs D would have been able to afford the £15 a week for the Morses loan.

So – factoring in the true income figure and factoring in the expenditure including the true rental cost, I think Mrs D would have been able to afford this loan.

I stress, I would not have expected Morses to have reviewed Mrs D's bank statements for a first loan of such a relatively modest amount of £300, as that would have been disproportionate. But as I have been presented with cogent arguments by both sides, then I have used all the evidence available to me to get to the bottom of the situation. And my conclusions are the same as those set out in my second provisional decision which are as follows and are in each of the following paragraphs.

Morses may have mistakenly recorded Mrs D's weekly net income as being lower than it was, but with the correct figures her income was higher than the £410 a week it used in November 2021. And I can't ignore that.

Morses may have recorded the rent as £299 a month (£69 a week) when it was £600 a month, but as I have demonstrated above, factoring that correct rental figure in with the correct income would, in my view, have led to an answer that Mrs D could afford it all plus this loan.

And I take Morses point that Mrs D would have been offered the opportunity to sign the details as correct.

So, overall, and having investigated this complaint in a lot of detail, with clear factual evidence from both sides, I have decided that I do not uphold the complaint about irresponsible lending on affordability in relation to the loan approved for Mrs D in November 2021.

The most recent responses from Mrs D

I am not persuaded by Mrs D's allegations against the Morses agent. And I have no evidence to show that these were deliberate on the part of the Morses agent. Mrs D constantly saying this in an email to me does not make it 'proof'.

As an informal dispute resolution service we are not the right forum in which to resolve allegations of alleged deliberate conduct which took place in a private home almost a year ago, where the records retained were factual and related to figures.

I have spent time gathering factual detail to conclude that it's more likely than not a mistake was made when entering the figures, but I take it no further than that. And the reason *may* have been because Mrs D has said the agent was in a hurry. I make no finding on this part.

And it may be that mistakes were made by both parties as Mrs D must have known that the UC payment included a large percentage as payment for her rent.

Having concluded that Mrs D's income was higher than had been recorded at the time and her outgoings were higher than had been recorded at the time, then if further and more detailed checks had been done in November 2021 and the figures had been corrected then the figures demonstrate to me that Mrs D could afford the £15 a week. So – the approval of the loan ultimately did appear to have been the correct decision.

And I note what Mrs D has repeated to us recently - that she knew at the time that the figures were wrong. If that was the case, and the figures were as wrong as she has said they were, then she had the chance at the time to correct them or to decline the loan, either at that stage or within 14 days which would have been within the 'cooling off period' which comes with credit agreements.

As for the allegation of 'pressure' – I have no evidence of that. Mrs D's submissions on this point are vague and on the little explanation she has given me (that the agent's daughter

was brought into her house) I think that it is without foundation.

I do not uphold Mrs D's complaint.

My final decision

My final decision is that I do not uphold Mrs D's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D to accept or reject my decision before 25 November 2022.

Rachael Williams
Ombudsman