

The complaint

Ms L complains (through a representative) that Morses Club PLC (Morses) gave her loans she couldn't afford to repay.

What happened

Ms L was advanced 6 home collected loans between November 2017 and December 2019. 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 (weeks)	weekly repayment
1	£400.00	06/11/2017	04/06/2018	33	£20.00
2	£400.00	04/06/2018	26/03/2019	33	£20.00
3	£400.00	26/03/2019	01/10/2019	33	£20.00
4	£200.00	07/06/2019	17/12/2019	33	£10.00
5	£500.00	01/10/2019	13/11/2020	34	£25.00
6	£200.00	17/12/2019	13/11/2020	34	£10.00

The 'weekly repayment' column is the cost per week per loan. Where loans overlapped, Ms L's commitment to Morses was greater. For example, when loans 5 and 6 were running she was due to pay Morses £35 per week.

Following Ms L's complaint Morses explained in its final response letter that it had carried out affordability checks before the loans were advanced and based on the information it received it was reasonable to lend.

Ms L's representative didn't agree with the findings in the final response letter and instead referred the complaint to the Financial Ombudsman Service.

The case was then reviewed by an adjudicator. He concluded it was reasonable for loans 1 – 3 to have been advanced. So, he didn't uphold the complaint about this lending. However, he thought loans 4 - 6 shouldn't have been granted because the lending pattern was now harmful for Ms L. So, he upheld the complaint about those final three loans.

Ms L's representative acknowledged receipt of the adjudicator's assessment but didn't provide any further comments.

Morses disagreed with the adjudicator's assessment in summary, Morses said:

- It doesn't consider six loans in just over two years to be excessive.
- While loans did overlap Morses says it carried out thorough checks to make sure the loans were affordable.
- Ms L's income was confirmed through a check with the credit reference agencies.
- Ms L signed to say the information she had provided was accurate.
- Ms L didn't have too many household bills because Morses says these were covered by her husband.

- Only 14.2% of Ms L's income went towards loan repayments – which Morses doesn't deem to be excessive.
- Morses wasn't aware of any financial difficulties Ms L may have been having.

The adjudicator went back to Morses to explain why its comments hadn't changed his mind about the case. However, Morses still disagreed and asked for an ombudsman's final decision.

As no agreement has been reached, the case was passed to me. I then issued my provisional decision explaining the reasons why I was intending to not uphold Ms L's complaint.

A copy of my provisional findings follows this in smaller font and italics and form part of this final decision.

What I said in my provisional decision

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 short-term lending - including all the relevant rules, guidance and good industry practice - on our website.

Neither Ms L (or her representative) appear to have disagreed with the adjudicator's findings in relation to loans 1 – 3. 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 for completeness I don't disagree with the adjudicator's assessment that it wasn't unfair of Morses to have provided these loans. But I have kept these loans in mind when thinking about the overall lending relationship between Morses and Ms L.

Instead, this decision will focus on whether Morses did anything wrong when it granted loans 4 - 6.

Morses had to assess the lending to check if Ms L 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 Miss M'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 L. These factors include:

- *Ms L 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 L 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 L 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 L.

Morses was required to establish whether Ms L 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 L 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 L's complaint.

Loans 4 – 6

The adjudicator upheld these loans because in his view they were harmful for Ms L because it was now unsustainable for Moses to continue to lend to her. I can understand why the adjudicator has concluded this, but I don't think, Moses would've concluded these loans were now harmful to Ms L.

I accept, that Ms L had been indebted with Moses (by loan 4) continuously for around 19 months – and she was further committing to be indebted for an additional 33 weeks. By loan 6, Ms L had been borrowing from Moses for just over two years. This, 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 and overlapped, which could show that Ms L had a continued need for credit.

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 - longer than say a payday loan. And loan 4 was the smallest capital loan that she had borrowed to date, and while the amount increased for loan 5, it then decreased for loan 6. Although, I do accept that there was an upward trend in terms of Ms L's weekly commitment to Moses. But I don't think Ms L's indebtedness seemed to be increasing unsustainably.

There also hadn't been any obvious repayment problems when Ms L had settled previous loans.

So, taking everything together, I don't think Morse would've or ought to have realised these loans were unsustainable for Ms L and so I am intending to conclude that these loans were likely not to be so harmful enough that it would've prompted Moses to have stopped lending to her. But that doesn't mean Morse did all it should've done before advancing these loans.

Moses has provided us with the income information it collected from Ms L, around this time her income ranged between £245 and £259 per week. Her weekly expenditure was between £50 and £130 which resulted in a disposable income for these loans of between £129 and £200 per week. This may have then led Moses to believe that Ms L had sufficient disposable income and could afford the loan repayments.

But that doesn't mean that Moses carried out a proportionate check. I do think the time in debt ought to have altered Moses to the possibility that Ms L may have been reliant on this credit. In addition, Ms L had started to have loans running concurrently and her weekly commitment to Moses was steadily increasing. These factors ought to have prompted it to consider whether it knew enough about Ms L's financial position.

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

Instead, I think it needed to gain a full understanding of Ms L's actual financial position to ensure these loans were 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 L's full 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 L's financial position.

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

Ms L's representative has already told the Financial Ombudsman that it can't provide any further information such as copies of Ms L's bank statements so I don't know and can't say what Moses may have seen had it verified the information she provided. So, without any further information from Ms L about her other living costs, it's difficult for me to conclude Moses would've discovered these loans were unaffordable.

Although Moses didn't carry out proportionate checks, I'm not able to conclude that further checks would've led it to conclude that these loans were unaffordable for Ms L. As this is the case, I'm intending to not uphold Ms L's complaint about loans 4 - 6 and therefore I'm intending to not uphold Ms L's complaint.

Response to the provisional decision

Both Moses and Ms L were asked to respond to the provisional decision as soon as possible, but no later than 18 August 2022.

Neither, Moses nor Ms L responded to the provisional decision, so I don't know what either party thinks about the outcome I'm intending to reach.

The deadline for both parties to respond has now passed and with no response being received I consider it reasonable to progress this case for a 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 neither party has provided any new comments or information, I see no reason to depart from my findings which I was intending to make in the provisional decision.

I still don't think Moses carried out a proportionate check before it granted loans 4 – 6 for Ms L. But as I don't have any further information from Ms L about her financial position at the time these loans were granted I can't fairly conclude Moses was wrong to provide them.

I am therefore not upholding Ms L's complaint.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms L to accept or reject my decision before 21 September 2022.

Robert Walker
Ombudsman