DRN-3667183

The complaint

Miss E complains that Morses Club PLC lent to her irresponsibly.

What happened

Using information from Morses here is a brief table of the loans approved for Miss E together with her declared weekly income and expenditure figures.

Loan	Date	Capital	Settled	Term	Repay	Income	Exp
1	22/06/2021	£300.00	10/11/2021	35	£15.00	£395.15	£180.00
2	27/09/2021	£300.00	Balance	35	£15.00	£395.15	£209.00
3	17/11/2021	£400.00	Balance	35	£20.00	£395.15	£209.00

After Miss E had complained to Morses it responded with its final response letter (FRL) in which it said that the creditworthiness assessment it had carried out showed Miss E could afford the loans.

Miss E referred her complaint to the Financial Ombudsman Service and one of our adjudicators looked at the complaint and considered that Morses had done nothing substantially wrong.

Miss E was not content and said that she had had three County Court Judgments (CCJs) in the past and had outstanding utility bill debt when she took these loans.

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

Morses needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Miss E could repay the loans in a sustainable manner.

These checks could consider several different things, such as how much was being lent, the repayment amounts and the consumer's income and expenditure. In the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate.

But certain factors might point to the fact that Morses should fairly and reasonably have done more to establish that any lending was sustainable for the consumer.

These factors include:

- the *lower* a customer's 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 *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the *greater* the number and frequency of loans, and the longer the period during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

And the loan payments being affordable on a strict pounds and pence calculation might be an indication a consumer could sustainably make their repayments. But it doesn't automatically follow this is the case. The industry regulator defines sustainable as being without undue difficulties and in particular, the customer should be able to make repayments on time, while meeting other reasonable commitments; as well as without having to borrow to meet the repayments.

And it follows that a lender should realise, or it ought fairly and reasonably to realise, that a borrower won't be able to make their repayments sustainably if they're unlikely to be able to make their repayments without borrowing further.

I've decided not to uphold Miss E's complaint and I explain here.

The income and the expenditure figures Morses had does indicate that Miss E was able to afford the repayments which varied from £15 to £35 a week. The loans applied for were for relatively modest sums and for relatively modest terms and so I consider that, usually, for loans of this nature, it was proportionate for Morses to reply on what Miss E had told it.

Morses did carry out a credit search and a copy of those results have been sent to me. I have reviewed them and Miss E was correct that she had one CCJ. The latest was for just over £3,000 in 2017 which was some years before the first loan application to Morses and does remain unsatisfied. That does not negate the importance of that debt history but the longer in the past that was the less significant it becomes. And further details from the credit search does indicate:

Total value of all current defaults	£2,485
Total value of all current delinquents	£4,079
Months since last default	9
Months since last delinquency	1

Another part of the search results tells me that this £2,485 debt related to utilities.

But in addition to this there is a piece of information which was: '*Total monthly payments on all accounts excluding mortgages - which are currently active £37',* which I have to say is a modest figure.

So, having thought about it carefully I do think that Morses ought to have obtained some more information before lending.

Miss E has not sent to us an documentation about her finances recently but for another complaint about which we have details there are copy bank statements for March 2021 and April 2021 – so quite close in time to Miss E's application for loan 1, plus a copy of her personal credit file dated 1 September 2022. These have been useful to afford me an insight into Miss E's position.

And I have seen that Miss E questions that Morses had the correct income information for her. I have seen an email from Miss E listing the income she received in or around 2022 and that is duplicated here:

> *'Child tax credit with disability element £303 weekly*
> *Income support £152 fortnightly*
> *Carers allowance £67.25*
> *Child benefit £35 weekly*
> *Dla (son) £338.25 monthly*
> *Pip myself £238.50 monthly*
> *Pip (son I'm his appointee) £608'*

I reviewed the bank statements and they assisted to clarify the payments above if there was doubt as to whether they were paid in weekly or monthly. An example is the carer's allowance which appeared in the bank statements weekly.

Therefore, ignoring the PIP and DLA payments for Miss E's son as I consider those to be payments I could exclude from Miss E's 'income', calculating these figures into a composite weekly sum they translated into £541. So, I do consider that the income figures Morses had used the year before (around £400 a week) likely to be correct and it has told me that these were CRA verified.

And in relation to the bank statements, they do not reveal anything more than that which was revealed by the credit search results and so if Morses had obtained further information from Miss E before lending I do not think it would have made a difference.

And there are records within Miss E's credit file showing that payments were well managed - for instance a credit card approved for her in March 2021. And two shop finance accounts taken in May and June 2021. Miss E took a credit union loan from October 2021 to August 2022 and it was paid back without issue.

I accept that a credit card taken in September 2021 was in default in March 2022 and settled the next month in April 2022. This default post-dated the loan applications.

The more recent accounts appeared to have been managed relatively satisfactorily. I take Miss E's point that she had an outstanding utility bill but it appears to be being managed by her.

Overall, I consider that Miss E was applying for modest sums from Morses and even though Miss E's credit history may not have been as good as others, Morses does offer credit for persons with such poor history and I have to say that a lot of the debt does appear to be historic. And Miss E's current debt commitment each month appeared to be only £37 about which Morses already knew.

My final decision

My final decision is that I do not uphold Miss E's complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Miss E to accept or reject my decision before 10 October 2022.

Rachael Williams
Ombudsman