

## **The complaint**

Mr W complains that Morses Club PLC (Morses) didn't carry out checks before it granted a number of loans which he couldn't afford to repay. Had it done so, it would've discovered he was in a difficult situation and was in arrears.

## **What happened**

Mr W took at least 10 loans from Company A. Company A's open loan book was purchased by Morses in March 2014 – at which point Morses became responsible for dealing with any unaffordable lending complaints about open loans.

Based on the information Mr W has provided some of these loans were approved in 2009 and possibly before and after this year as well, but it isn't clear from the information provided.

It also isn't clear from the information provided, that I have all of the following information about each loan; the start date, repayment dates or the amount of capital borrowed. Mr W has been able to supply some information that suggests for example by November 2009 he was in arrears by around £70 on at least one account.

So, having tried, it hasn't been possible to put together an accurate loan table which reflects Mr W's borrowing history – due to incomplete information.

Mr W has provided some photos of his paying in books which shows a number of loans being granted by Company A. He has also, provided a letter from Company A that shows the balances of three outstanding accounts as of October 2009.

Morses, says it hasn't been able to locate any records of loans issued to Mr W. This could be due to one of two factors. Firstly, the loans approved which Morses became responsible for were so long ago that the information about them is no longer available. This isn't unreasonable or suspicious given some of the loans were taken out up to 13 years ago.

Secondly, as I've said above, we know from the documents Mr W has provided that these loans were provided by Company A and as I've said above Morses only took responsibility for dealing with complaints about unaffordable lending for loans that were outstanding and acquired by Morses in March 2014.

This means any loans provided by Company A which were successfully repaid (I can't be sure which of the loans, if any have been repaid) became the responsibility of a different entity - Company B. However, Company B is no longer trading and therefore a complaint about these repaid loans can't be taken further.

Following a complaint to Morses, it issued a final response letter which outlined that it couldn't find any loans for Mr W and he had complained too late.

Unhappy with this response, Mr W referred his complaint to the Financial Ombudsman.

An adjudicator initially looked at the complaint and decided this complaint wasn't one that could be taken further because there was nothing to suggest that Mr W took loans after the point at which Morses became responsible for them – March 2014.

Mr W didn't agree with the adjudicator's view and explained that he is currently making repayments to Morses for an outstanding balance through a debt management plan (DMP). Later on, Mr W provided a copy of his DMP statement which showed he was paying Morses £4.05 (possibly per month) with reference number 2569.

The adjudicator then explained that it was likely, we could take the case forward as Mr W was paying Morses for an outstanding loan. The case was then passed to a different adjudicator to consider what had happened.

Further enquires were made with Morses about Mr W's DMP payments. Morses told us the following (verbatim):

*We can confirm that the account was an old [Company A] one which transferred over from our old system to our current system with a £0 balance as the previous system used to write off balances at >18 weeks.*

*Our banking team have confirmed payments were being received for some time as recent as 18 March 2022, which are kept on an internal spreadsheet as they couldn't be applied to a NIL balance and the account has now been removed from our systems. This is the reason we have been unable to locate the account. The spreadsheet only holds details of the payments received; therefore, we don't hold any other details for the customer or loans they may have held so we cannot provide any further information or consent to any loans being reviewed.*

The adjudicator then reviewed the complaint and explained to Mr W why she couldn't uphold it.

Mr W disagreed saying he had several loans running at the same time with Company A and loans were issued while he was in arrears. Mr W is also concerned about the actions of Morses pushing him into debt given that it is now claiming through a DMP payments for a balance.

Morses didn't respond to the assessment.

As no agreement has been reached, the case has been passed to me for a decision. The adjudicator went back to Morses, to see whether it had any further information about the payments Mr W was making to it – in response it said;

*The most recent payment we have a record of receiving was 18 March 2022 which is kept on an internal spreadsheet as there is no account for this to be applied to, as explained in our previous email. The spreadsheet only holds details of the payments received; therefore, we don't hold any other details for the customer or loans they may have held so we cannot provide any further information. As we know the loan(s) transferred from [Company A], it would be at least 8 years old and therefore out of data retention.*

Before the case was passed for a final decision, the adjudicator checked with Morses whether it would give consent for the Financial Ombudsman to consider the complaint, this was potentially needed, given in the above email it mentions not providing consent. Morses responded with the following:

*We understand that the case can be investigated and we do not object, it's just that we do not hold any loan information about any account(s) we acquired from [Company A].*

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

Morses had to assess the lending to check if Mr W could afford to pay back the amounts he'd borrowed without undue difficulty. It needed to do this in a way which was proportionate to the circumstances. Morses's checks could have taken into account a number of different things, such as how much was being lent, the size of the repayments, and Mr W'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 Mr W. These factors include:

- Mr W 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);
- Mr W 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);
- Mr W 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 Mr W.

Morses was required to establish whether Mr W could *sustainably* repay the loans – not just whether he technically had enough money to make his repayments. Having enough money to make the repayments could of course be an indicator that Mr W was able to repay his 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 Mr W's complaint.

Morses has provided consent to the Financial Ombudsman Service I need not say any more about it. But that doesn't mean I am in a position to uphold Mr W's complaint. I've explained the reasons why, below I am not able to do so.

I want to be clear that I can't consider any loans taken out and repaid before March 2014, this is because Morses isn't the company responsible for dealing with any issues about unaffordable lending complaints.

However, this has proved complicated in this case, because based on the information provided by Mr W it isn't clear – which if any of the loans he has provided evidence for where (or weren't repaid) before March 2014. And I already know Morses doesn't have any information about the loans he was granted by Company A.

All I can say, is that Mr W must have had some difficulties repaying loans(s) because he has provided evidence that he is repaying Morses through a DMP. It therefore seems likely that there was at least one loan (they may have been more) outstanding in March 2014 – which was when Morses took over the responsibility for the outstanding loans. And in the most recent email, Morses seems to accept that it took over some loans(s) in March 2014 but can't say which loans or what the balance is.

This means, Morses can't tell the Financial Ombudsman Service, which loans if any it took over or what the balance was at the time as it explained the balance is showing as nil. So, this doesn't really help establish which of the loans Mr W has been able to provide evidence for relate to the balance or whether the outstanding balance is made up other loans taken out which I have no information about.

I've also cross referenced the number that Mr W provided as part of the DMP – this appear to be number used by the DMP when making the payment to Morses. However, I can't find this number anywhere in the information Mr W has been able to provide. So, it's possible, that the balance that Mr W is repaying relates to a loan that neither party has been able to provide any information for or that reference number relates to something else entirely.

Therefore, without any evidence or when all the loans were repaid I can't fairly say which loans Morses are responsible for. Without knowing this, it is not possible to make a finding that Morses ought to not have provided the loan(s). This also means, I can't establish what information may have been gathered at the time the loans were approved and whether a proportionate check was or wasn't carried out.

In this case, unfortunately, due to the time that has passed I can't fairly make a finding that Morses made an error when I can't even be sure which of the loans it is responsible for. Let alone, how much compensation may have needed to have been paid even if I was able to establish which loans Morses was responsible for.

I appreciate Mr W will be disappointed by my decision because he clearly feels strongly about this. But I hope he understands why I've come to the decision that I have.

Given, the information provided by Morses about the payments and balance of the account Mr W may wish to speak to the company managing his DMP to discuss a way forward.

### **My final decision**

So, for the reasons I've explained above, I'm not upholding Mr W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 20 October 2022.

Robert Walker  
**Ombudsman**

