

The complaint

Ms W, through her representative, complains that Morses Club PLC lent to her irresponsibly.

What happened

Using information we have from Morses, here is a brief table of the approved loans.

Loan	Date Taken	Date Repaid	Instalments	Amount	Repayment
1	13/09/2013	17/01/2014	34	£340.00	£10.00
2	17/01/2014	26/07/2014	34	£510.00	£15.00
3	26/07/2014	22/05/2015	34	£680.00	£20.00
4	16/06/2015	02/04/2016	34	£680.00	£20.00
break					
5	07/04/2021	14/09/2021	34	£510.00	£15.00
6	21/06/2021	11/09/2021	35	£525.00	£15.00
7	14/09/2021		35	£1,050.00	£30.00

No information, over and above what appears in this table, has been provided by either party in relation to loans 1 to 4.

After Ms W had complained Morses sent its FRL and gave reasons why it considered that it had carried out proportionate checks for loans 5 to 7 and from the information it had Morses considered the loans affordable.

After Ms W referred the complaint to the Financial Ombudsman Service, one of our adjudicators looked at it and treated loans 1 to 4 as one loan chain and loans 5 to 7 as a new loan chain because of the large gap between loan 4 being paid off in 2016 and loan 5 being applied for in 2021. Our adjudicator made no determination on loans 1 to 4 and no further financial information has been sent to us by Ms W or her representative. As for loans 5 to 7 he thought that Morses did not need to put anything right for Ms W. So, the complaint was not upheld.

Ms W has asked for it to be reviewed by an ombudsman but has sent no further information or financial evidence for any of the years covering the lending relationship.

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 of 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 Ms W 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 of time 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 Ms W's complaint in part and have explained why below.

Morses has said '*I would like to let you know that due to data retention and cleansing, the information we have provided you with is all we hold for this account.*' This is understandable about the older loans (loans 1 to 4) and Ms W has provided no information either. So, for loans 1 to 4 the only finding I can make is that on current evidence the loans were lent responsibly as I have nothing to contradict it.

For loans 5 to 7 I do see that there was a large gap before loan 5 and I accept that it would have been reasonable for Morses to treat loan 5 as if Ms W was a new customer.

Loan 5 was for a relatively modest sum of £510 and I have been provided with the financial information Morses had for Ms W for that loan. It showed that she had a weekly income of £300, outgoings of £167 and it had carried out a credit search.

Reviewing that set of search results I can see that Ms W had had two County Court Judgments which ought to have placed Morses on alert. They were 13 months and 30 months old before loan 5 but to get to the position where a person has had a CCJ registered against them they must have been in debt for some time.

And I can see that the search indicated this '*Total monthly payments on all accounts excluding mortgages - which are currently active 518.*' This means £518. That translates into around £119 a week which does not appear to have been entered onto the spreadsheet Morses has provided in its 'Income and Expenditure' assessment (I&E). Other loans of £30 a week had been entered and so I am calculating that an additional £70 a week before the loan 5 repayments. So, I think that the expenditure each week was more like £167 plus £70 which comes to £237. With an income of £300 still I'd think that loan 5 was affordable, but I think it would have been tight.

Loan 6 was applied for before loan 5 was repaid. And considering what I know Morses knew about Ms W's commitments to other debt then I think that an additional £15 a week likely would have pushed the credit commitments to a figure where I think that further enquiries about Ms W's financial situation ought to have been made.

And then Ms W applied for loan 7 which was for double the amount of the previous two loans - £1,050. So additional enquiries ought to have been done at that point and I do not think that they were.

But I have no information from Ms W about her financial situation for loans 6 or 7 and so I am not able to assess what it is that Morses may have discovered if it had asked for a few more details.

So, I do not uphold Ms W's complaint.

My final decision

My final decision is that I do not uphold Ms W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms W to accept or reject my decision before 14 October 2022.

Rachael Williams
Ombudsman