DRN-3680740

The complaint

Mrs M, through a representative complains that Morses Club PLC (Morses) provided loans to her which she couldn't afford to repay.

What happened

Mrs M was advanced 7 home collected loans (which there is information for) between July 2014 and May 2018. 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	£600.00	29/07/2014	11/06/2015	47	£24.00
2	£600.00	29/07/2014	11/06/2015	47	£24.00
3	£1,400.00	11/06/2015	14/06/2016	50	£49.00
gap in lending					
4	£900.00	04/08/2017	08/05/2018	52	£31.50
5	£300.00	04/08/2017	16/03/2018	33	£15.00
6	£900.00	08/05/2018	06/03/2019	52	£31.50
7	£300.00	08/05/2018	21/12/2018	33	£15.00

The 'weekly repayment' column in the table above is the cost per week per loan. Where loans overlapped the cost per week was increased, for example when loans 1 and 2 were running at the same time Mrs M's weekly commitment was £48.

Loans 1 and 2 in the table above were provided by a different company than Morses. Morses purchased the loan book of the other company in May 2015 and as part of that purchase it agreed to take on responsibility for any loans that were outstanding at that time.

We also know, that prior to the loans in the table above Mrs M had up to 34 previous loans. But neither party is able to provide any information about these earlier loans so I can't put the loans that Morses is responsible for into any sort of context.

Following Mrs M's complaint Morses wrote to her representative to explain that it wasn't going to uphold her complaint. Mrs M's representative didn't agree with the outcome and referred the complaint to the Financial Ombudsman Service.

An adjudicator reviewed the complaint. He explained that Morses didn't any information about Mrs M's income and expenditure for the earlier loans and there was also a 13-month gap in lending (highlighted in the table above). Taking everything into account, he didn't think there was anything in the information provided which would've shown Morses the loans were either unaffordable or unstainable.

Morses didn't respond to or acknowledge the adjudicator's assessment.

Mrs M's representative didn't agree with the findings. It said:

We have spoke (sic) with our client and they do not accept this offer of not upholding any of the case please can you ask the Ombudsman to look at this case for a final review.

As no agreement has been reached, the case has been passed to me to resolve.

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 type 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 M 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've taken into account a number of different things, such as how much was being lent, the size of the repayments, and Mrs 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 Mrs M. These factors include:

- Mrs M 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 M 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 M 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 M.

Morses was required to establish whether Mrs M 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 Mrs M 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 Mrs M's complaint.

Loans 1 – 3

Due to how old these loans are Morses can't say what information was collected from Mrs M before these loans were approved. Also, Mrs M hasn't provided any information about her circumstances at the time. So, I don't know really anything about her circumstances at the time.

In addition, as I've said above, I don't know how these loans fitted into the context of the overall lending relationship up to this point in time.

I accept these loans led to Mrs M having a not insignificant weekly credit commitment to Morses, which, may have been unaffordable or unsustainable for Mrs M. But as neither party has been able to supply any information about these earlier loans I can't fairly conclude that Morses made unreasonable lending decisions.

I'm therefore not upholding Mrs M's complaint about these loans.

Loans 4 – 7

There was a gap in lending of around 13 months between loan 3 being repaid and loan 4 being advanced. In my view, this gap was long enough for Morses to have treated Mrs M's application afresh. This has implications for the level of checks Morses may have been expected to carry out. In short, loan 4, becomes loan 1, in a new chain of lending.

For these loans Mrs M declared she had an income of at least £440 per week. She also declared her weekly expenditure was between £234 and £269 per week. Mrs M's disposable income was sufficient to be able to afford the largest weekly repayment due to Morses of £46.50.

Given it was still quite early on in this lending relationship and there didn't appear to have been any repayment problems when Mrs M repaid her loans, I think it was reasonable for Morses to have relied on the information Mrs M provided which showed the loan repayments were affordable.

I've also thought about the fact that some of these loans overlapped but even taking into account the higher weekly repayments as a result of this the loans still looked affordable. So, this doesn't change my mind about the checks that Morses carried out.

Finally, there wasn't anything else that was apparent to Morses which may have made it realise these loans were unsustainable for Mrs M.

As this is the case, I'm not upholding Mrs M's complaint about loans 4 – 7 and therefore, I'm not upholding Mrs M's complaint.

My final decision

For the reasons I've explained above, I'm not upholding Mrs M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 7 October 2022.

Robert Walker
Ombudsman