

The complaint

Mrs C, through her representative, complains that Morses Club PLC lent to her when she could not afford the credit.

What happened

Using some information from Mrs C and some information from Morses, here is a brief loan table of loans that Mrs C and/or Morses says that she had.

Loan	Date Taken	Principal	Term and Weekly Repayments	Date Settled
1	31/08/2013	£200	No information	14/03/2014
2	14/03/2014	£300	No information	30/09/2014
3	25/11/2014	£300	No information	07/08/2015
4	07/08/2015	£300	No information	12/02/2016
19-month gap				
5	01/09/2017	£200	20 x £15	14/03/2018
6	15/12/2017	£200	20 x £15	20/04/2018
7	20/04/2018	£200	20 x £15	03/11/2018
8	27/04/2018	£300	33 x £15	23/03/2019
9	23/05/2019	£300	33 x £15	11/10/2019

There is limited information about the first four loans Mrs C says she received. This is not unusual due to the time that has passed since the loans were granted, and Morses Club acquiring the loans that were issued by Shopcheck (loans 1-3). Loan 4 did appear to have been issued by Morses but upon asking for information our adjudicator was told there was none to send. Mrs C has not been able to send us anything about loans 1 to 4 and so our adjudicator could not formulate a view on those.

After Mrs C's representative had referred her complaint to the Financial Ombudsman Service then one of our adjudicators looked at the loans about which she had information – loans 5 to 9 – and did not think that Morses had done anything wrong.

Mrs C has responded to that outcome to say that she thinks that a 'non-uphold' outcome is not justified for all the loans – in other words, she thinks some should be upheld. But Mrs C has not explained which or given details of why she thinks this. No additional information or details about her financial position had been sent to us by Mrs C before our adjudicator came to her view or since. So, Mrs C has sent to us nothing as supporting evidence.

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 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 C 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 considered a number of different things, such as how much was being lent, the size of the repayments, and Mrs C's income and expenditure.

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 C. These factors include:

- Mrs C 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 C 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 C 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 C. Our adjudicator thought that this was the case for Mrs C's complaint at loan 4.

Morses was required to establish whether Mrs C 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 C 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, 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 C's complaint.

As I have no information at all about loans 1 to 4, over and above the loan table set out at the beginning of this decision, then I am not able to make any findings about those loans.

Using the information Morses has sent to us, I have seen that Mrs C declared her income and her expenditure for each of the five loans about which I can review – loans 5 to 9. For each Mrs C's weekly income appears to have been between £300 and £500 a week. And Mrs C had told Morses that her expenditure (including rent and other items) was between £155 and £263.

Morses carried out a credit search and it has explained that it always does that for the first loan – here loan 5 – and after that it relies on past repayment performance and other information it gathers from the customer. So, I have reviewed the credit search results dated 31 August 2017.

Mrs C had only three 'SHARE' records which would have been considered a low number.

She did have a record of a County Court Judgment against her name but that had been on 1 July 2013 so over 4 years before loan 5 was applied for. And the record indicates it was for £606 and so that was not an overly large sum.

The total value on all her active credit accounts was £1,475. And it had been 24 months since she had opened her most recent account.

Overall, I do not consider that Morses likely would have viewed this as a set of results to cause it concern. I consider that Morses carried out checks which were proportionate. I have no additional or supporting information from Mrs C. So, on the information I have I do not uphold her complaint about loans 5 to 9. As I said earlier, I make no findings in relation to loans 1 to 4.

My final decision

My final decision is that I do not uphold Mrs C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 21 October 2022.

Rachael Williams
Ombudsman