

## The complaint

Mr W, through his representative, complains that Morses Club PLC lent to him when he could not afford it.

## What happened

Using information from Morses, here is a table with brief details of the approved loans.

Loan	Amount borrowed	Start Date	End Date	Repayment Amount	Loan Term Weeks	Live weeks
1	£200.00	02/08/2019	05/03/2020	£10.00	33	31
2	£200.00	27/11/2019	26/02/2020	£10.00	34	13
Four month gap						
3	£400.00	15/07/2020	14/12/2020	£20.00	34	22
4	£200.00	29/10/2020	04/02/2021	£10.00	34	14

After Mr W had complained, Morses issued its final response letter (FRL) in which it said it did not uphold his complaint. So, through his representative, Mr W referred his complaint to the Financial Ombudsman Service.

One of our adjudicators looked at the complaint. She had noticed the four month gap between loans 2 and 3. That can make a difference as to how we'd expect a lender to approach the customer applying for loans. Our adjudicator thought that although she did think that additional details relating to Mr W's financial situation ought to have been reviewed by Morses before lending for the later loans as Mr W did not send us any details of his finances for the years covering loans 3 and 4 then our adjudicator had no information on which to come to an opinion. So, she did not uphold Mr W's complaint.

Mr W responded to say that he does not give out his bank details to anyone and is not happy doing that. Mr W explained that he told the *'person/s giving me the loans that I was in debt and they did not verify my debt, the checks were also very basic.'* 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 high cost, short-term and home credit 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 she'd borrowed without undue difficulty. It needed to do this in a way which was proportionate to the circumstances. Morses' checks could have considered a number

of different things, such as how much was being lent, the size of the repayments, and Mr W'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 Moses 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.

Moses was required to establish whether Mr W could sustainably repay the loans – not just whether he technically had enough money to make her 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, 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.

Moses has sent to us details of the information it gathered from Mr W at the time he was applying for the loans. For loans early in the lending chain, then I'd expect proportionate checks to mean that Moses could rely on information it gathered from Mr W. And at loan 1 it carried out a credit check the results of which I have reviewed.

In that credit check I can see that Mr W did have other debt and had historic records of defaulted accounts but they were at least two years old, and one appears to have been five years before Mr W applied for loan 1. And so that sort of adverse payment record, on its own, would not be enough to lead me to think that Moses ought to have declined the loan applications.

The credit check results showed me that Mr W had a debt value of about £2,000 across all his accounts. He had about nine active accounts which would have included regular credit like bank accounts, and credit cards. So that's not a particularly high number.

And this entry gives a useful insight into what Mr W's commitments included – *'Total monthly payments on all accounts excluding mortgages - which are currently active £65'*

So, even if Morses had added this monthly repay of £65 into Mr W's weekly commitment list (which may already have been included) still I think that the disposable income left to Mr W each week would have shown that Mr W could afford loans 1 and 2.

The significance of the four month gap after Mr W had repaid loan 2 is that it demonstrates that Mr W likely was using the cash from Morses to plug a temporary cash flow gap and less likely to indicate that Mr W was reliant on the credit. So I have factored that into my review of the complaint.

Here it seems that Mr W informed Morses what his income and expenditure was on a weekly basis and I have duplicated what Morses has sent to us:

LOAN	INCOME	EXPENDITURE	DISPOSABLE INCOME
1	£276.47	£179.50	£96.97
2	£282.56	£192.75	£89.81
3	£313.83	£173.89	£139.94
4	£336.36	£209.40	£126.96

So, I do think that the loans looked to have been affordable.

It may be that for loan 4, which was applied for when loan 3 was still open, then additional checks ought to have been made by Morses at that point. And I say this because loan 4 was going to overlap with loan 3 and it was the fourth loan he'd applied for. But as we do not have any information from Mr W about his finances during that second part of the lending period then I'm not able to see what it is that Morses may have found if it had made further enquiries.

I understand that Mr W may have been reluctant to send us bank statements. Mr W's income appeared to increase for loan 4 and as his disposable income was given as just under £127 a week then loan 4 looked affordable when the repayments were going to be £20 a week for a short time followed by £10 a week until loan 4 was paid off.

Morses has sent to us a copy of Mr W's repayment records for the loans and I do not consider that they showed that Mr W was struggling to repay. In fact, it seems that he repaid most of the loans early. And by the time loan 3 was repaid in July 2020 then he had only one loan left to repay at £10 a week. Loan 4 was repaid ten weeks earlier than scheduled.

For all the above reasons I do not uphold Mr W's complaint.

### **My final decision**

My final decision is that I do not uphold 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 28 October 2022.

Rachael Williams  
**Ombudsman**