

## The complaint

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

## What happened

Morses has explained that as the earlier loans were almost a decade ago then it has no information over and above what appears in the loan table below. So, it has not been able to send us any information as to why they are labelled as starting from loan 6 and what information it gathered from Mr B in 2013 to 2016.

Using the information we have from Morses and some information from Mr B's 'validation report' then here is the table of what we know to have been approved loans. I have included the gaps in the lending relationship which does make a difference as to how we expected a lender to assess affordability.

Loan	Start Date	Settlement Date	Capital Sum	Term (w) (repaid in weeks)	Weekly Repayment
6	16/10/2013	07/04/2014	£200.00	32 (25)	£10.00
7	08/04/2014	26/09/2014	£200.00	34 (24)	£10.00
About a nine month gap					
8	16/06/2015	17/11/2015	£200.00	34 (22)	£10.00
9	17/11/2015	26/04/2016	£300.00	33 (23)	£15.00
10	26/04/2016	15/11/2016	£350.00	33 (29)	£17.50
About a seven month gap					
11	22/06/2017	18/01/2018	£300.00	33 (30)	£15.00
12	13/02/2018	27/7/2018	£400.00	33 (23)	£20.00

Morses' final response letter (FRL) does not uphold Mr B's complaint. After Mr B had referred his complaint to the Financial Ombudsman Service, one of our adjudicators looked at it all. He thought that for loans 6 to 10 he just did not have any information to make any assessment. And for loans 11 and 12 which he treated as a new chain of lending, the information from Morses showed that Mr B was able to afford the £15 and £20 a week repayment. So, our adjudicator did not uphold any part of the complaint.

Mr B was not content and said that he thinks he should be entitled to something. So, 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 B 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 B'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 Mr B. These factors include:

- Mr B 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 B 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 B 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 B.

Morses was required to establish whether Mr B 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 B 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 B's complaint.

The two gaps in the lending chain were referred to by our adjudicator. A significant break during which a customer is not in debt to Morses for nine months or seven months, as Mr B was here, gives a clear indication that he was not reliant on the credit, that the reason for need the credit in the first place may have dissipated, and that he was not stuck in a cycle of debt.

I have reviewed whether we have any other complaints for Mr B on our case management system, and we do not. I have looked to see if Mr B or his representative has sent to us any documents to establish his financial position for loans 6 to 10 but they have not. We have an explanation from Morses as to why it has no details about the loans 6 to 10 or anything prior

to that. It has told us that due to data cleansing and the passage of time it has no other records. This is understandable and reasonable.

And so, with no information about any of the loans 6 to 10 I can only decide on the limited information I have.

I can see that loans 6 to 10 were all repaid early. I see that the loans were relatively modest in amount and in term length. None of them overlapped and in the circumstances I have nothing to lead me to conclude either that Moses had lent irresponsibly or that Mr B could not afford them. I do not uphold the complaint about loans 6 to 10.

For loans 11 and 12 we have a little more information. For loans early in the new lending chain, as I think that loan 11 is the first loan in a new loan chain, then I'd expect proportionate checks to mean that Moses could rely on information it gathered from Mr B. Here it seems that Mr B informed Moses what his income and expenditure was on a weekly basis and I have duplicated here what Moses has sent to us:

LOAN	INCOME	EXPENDITURE	DISPOSABLE INCOME
11	£900.00	£375.00	£525.00
12	£650.00	£265.00	£385.00

Moses' information sheet says that Mr B's expenditure was on a mortgage, childcare and groceries. So, I think its easy to see that on this information the repayment sum for loan 11 at £15 a week was affordable. There was a gap of almost a month before Mr B took loan 12. And again, the figures tell me that Mr B was able to afford the £20 a week repayment sum.

Plus, I have been provided with the repayment records and I do not see that Mr B was struggling to repay from those records. And it is reasonable for a lender to review the account history before lending again. Here, that account history looked positive. For all the above reasons I do not uphold Mr B's complaint.

### **My final decision**

My final decision is that I do not uphold Mr B's complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 28 October 2022.

Rachael Williams  
**Ombudsman**