

The complaint

Mr J complains (through a representative) that Morses Club PLC (Morses) didn't carry out affordability checks before it granted loans which he couldn't afford to repay.

What happened

Mr J took three home collected loans from Morses between September 2018 and October 2019. A summary of his borrowing can be found below;

loan number	loan amount	agreement date	repayment date	term (weeks)	weekly repayment
1	£200.00	25/09/2018	06/03/2019	33	£10.00
2	£500.00	06/03/2019	22/10/2019	33	£25.00
3	£500.00	22/10/2019	11/03/2021	34	£25.00

Morses considered Mr J's complaint so didn't uphold it. Unhappy with this response, Mr J's representative referred his complaint to the Financial Ombudsman Service.

The complaint was considered by an adjudicator. She concluded Morses made a reasonable decision to provide these loans. However, she did conclude that perhaps further checks could've been carried out before loans 2 and 3 were granted but based on what she had the complaint shouldn't be upheld.

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

Mr J's representative, responded and didn't agree with the outcome, it explained (verbatim):

I am afraid that we do not agree with the decision made and therefore request the case be transferred for a Final Decision by an Ombudsman.

As no agreement has been reached, the case has been 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 short-term lending - including all the relevant rules, guidance and good industry practice - on our website.

Morses had to assess the lending to check if Mr J could afford to pay back the amounts he'd borrowed without undue difficulty. It needed to do this in a way which was proportionate to the circumstances. Morses' checks could have taken into account a number of different things, such as how much was being lent, the size of the repayments, and Mr J'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 Moses should have done more to establish that any lending was sustainable for Mr J. These factors include:

- Mr J 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 J 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 J 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 J.

Moses was required to establish whether Mr J could sustainably repay the loans – not just whether he technically had enough money to make his repayments. Having enough money to make the repayments could of course be an indicator that Mr J 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 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 Mr J's complaint.

Before loan one was approved, Moses took details of Mr J's income and expenditure. Moses recorded Mr J's income as being £200 per week with weekly outgoings of £118.50. Moses was therefore aware that he had around £81.50 per week in which to make the weekly loan payment of £10.

Similar income and expenditure details were collected before loans two and three were granted. Mr J declared a weekly income of between £200 and £210, with outgoings of £122.70 and £156.75. This left a sufficient disposable income to afford the repayments of £25.

Based solely on the declared income and expenditure information Moses could've reasonably concluded Mr J would be in a position to afford the weekly repayments he had committed to.

In addition to the above, before loan one, Moses also carried out a credit search and it has provided a copy of the results. It is worth saying here that although Moses carried out a credit search there isn't a regulatory requirement to do one, let alone one to a specific standard. But what Moses can't do, is carry out a credit search and then not react to the to the information it received – if necessary.

I've considered the results that it has provided. There is no adverse information such as insolvency, County Court Judgement, defaults, or delinquent accounts. In addition, Moses was aware of total outstanding debts of £957 across six opened credit accounts. So, I don't

think the credit checks would've alerted Moses to either have declined the loan applications or to have prompted it to make further enquiries with Mr J. I say this because Mr J had a small number of opened accounts, didn't owe other creditors significant sums and didn't have any obvious adverse repayment difficulties.

I do think it's arguable by loan three, given the small amount of disposable income which Mr J was left with each week that perhaps further checks ought to have been carried out by Moses. But as no further information has been provided by either Mr J or his representative, I can't say what Moses may have seen had it built up a more detailed picture of his circumstances.

Given it was early on in the lending relationship and taking into account everything else I've seen I think Moses made a reasonable decision to provide these loans and so I am not upholding Mr J's complaint.

My final decision

So, for the reasons I've explained above, I'm not upholding Mr J's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 18 November 2022.

Robert Walker
Ombudsman