

The complaint

Mrs B, through her representative, complains that Morses Club PLC lent to her irresponsibly.

What happened

Using information Morses has given us here is a brief table of the loans Morses approved for her.

Loan	Amount borrowed	Start Date	End Date	Repayment Amount weekly	Loan Term Weeks	Live weeks
1	£400.00	26/08/2017	08/03/2018	£20.00	33	28
2	£600.00	08/03/2018	20/10/2018	£30.00	33	32
3	£850.00	20/10/2018	02/12/2019	£29.75	52	59
4	£850.00	02/12/2019	08/04/2021	£29.75	53	70

Morses issued its non-uphold final response letter after Mrs B complained. Her complaint was referred to the Financial Ombudsman Service.

One of our adjudicators looked at the complaint and thought that none of the loans ought to have been approved for her.

Morses disagreed and the unresolved complaint was passed to me to decide.

After I had reviewed it I asked Mrs B to send to us some additional supporting financial documents so that I could review her financial position in detail for the lending period.

Nothing was able to be sent to us and her representative has explained as follows: *'...she is so sorry, but she is not able to obtain the information you have requested. She is not of much use and she doesn't have online banking. She is not great with that kind of stuff.'*

On 4 October 2022, I decided to issue a provisional decision in which I gave reasons, on the evidence I had at the time, as to why I felt that Morses had not lent irresponsibly.

That provisional decision is set out in full here (in smaller type to differentiate it from this decision).

My provisional decision dated 4 October 2022

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 Mrs 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 Mrs 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 Mrs B. These factors include:

- Mrs 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);
- Mrs 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);
- Mrs 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 Mrs B.

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

I am planning not to uphold Mrs B's complaint. And I realise she will find that disappointing but I do not think that there is enough information on what Morses had at the time to actively refuse her loan applications.

I appreciate that the credit search results which Morses obtained before her first application showed that she had a default and some delinquent accounts, but also showed that her overall indebtedness was relatively light.

Here is a summary of some of the criteria:

Total balances on active accounts exc mortgages	£3,075
Total balances on active accounts exc mortgages and home shopping	£802

And another part showed me that Mrs B's total monthly payments on all accounts excluding mortgages - which were active at the time the credit results were issued was £21. This is a low sum.

Morses has sent to me details of the income and expenditure information (I&E) it obtained from Mrs B. For the earlier loans I think that it was reasonable and proportionate for the 33 week term loans for £400 and £600 for Morses to rely on the information she gave it. Plus, as I have already outlined, it had carried out the credit search.

By loan 3, Mrs B had repaid her first loan early and had repaid loan 2 on time. The loans had not overlapped and Loan 3 was not going to overlap either. I have not been provided with any detailed repayment records.

The third loan was for a larger sum of £850 and for a longer term, and I think that additional checks ought to have been carried out at that stage. Morses has said it did additional checks for loan 4 but has not told us what. It has explained that it utilised national statistics for her expenditure including rent, council tax, utilities, insurance, transport, her media costs, and childcare. But looking at the excel spreadsheet for Mrs B's I&E assessment I can't see that it did that.

For loan 3 I have noted that Morses had added she had additional loan expenditure with another creditor of £20 a week and for loan 4 it was £15 a week.

It did not do any further credit searches as the loan requests were made over the months.

But, even if I considered that additional checks ought to have been carried out for loans 3 and 4, without any information from Mrs B to demonstrate to me what Morses may have seen if it had carried out the further detailed search into her financial situation, then I can't conclude that Morses was more likely to have refused the loan applications. Or that Morses ought not to have lent to her or that she could not afford it.

On the current evidence I plan not to uphold Mrs B's complaint.

Both parties were given time to respond. Mrs B is professionally represented.

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.

Morses has not responded to my provisional decision.

Mrs B's representative sent to us some screenshots of some bank transactions for a few months in 2019, and it informed us of some new information which was that Mrs B had

'...been in a debt management plan (DMP)... for around two years with debts totalling around £6,000.'

However, no details were sent, no dates about the DMP and so I invited Mrs B's representative to send me additional information so that I knew to which period the information related and more details on the DMP. I explained that I was not content with brief information and unidentified screenshots. I suggested that a credit file could be sent too.

Mrs B's representative has said that Mrs B does not wish to send anymore and has asked that the complaint is resolved. So I have reviewed the information I have.

For completeness and to be fair to both parties I asked Morses to explain what it knew about the DMP but it said it had no knowledge.

Having reviewed the complaint with the screenshots and the information sent to me I have concluded that my decision is the same as my provisional decision.

And I say that because:

- the screenshots from Mrs B are incomplete as they have no details in relation to the account name and number. And they are for a period in April 2019 and again in August 2019 and so they are not chronological, or complete.

- the screenshots show a couple payments to a well-known debt advice charity in April 2019 and one in August 2019 and no others. And so, these may, or may not have been for a DMP, and if they were these are not evidence of regular payments. When I asked for more details on the DMP none has been sent to me.

Mrs B's new evidence has not persuaded me that my provisional decision ought to be altered and so for the same reasons set out in my provisional decision, my final decision is that I do not uphold Mrs B's complaint.

My final decision

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

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

Rachael Williams
Ombudsman