

The complaint

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

What happened

Using what little information Morses has been able to send us – due to the age of the loans – here is a brief loan table.

| Loan | Start Date | Capital Amount | Term weeks | Repayment amount | Still Live | Product Name | Term Type |
|------|------------|----------------|------------|------------------|------------|----------------------|-----------|
| 121 | 12/10/2012 | £300.00 | 47 | £12.00 | No | KDS 203 47 WEEK LOAN | FIXED |
| 122 | 28/03/2013 | £300.00 | 21 | £22.50 | No | KDS 201 21 WEEK LOAN | FIXED |

Morses sent to Mr L's representative its final response letter (FRL) saying it did not uphold his complaint. It was referred to the Financial Ombudsman Service.

Morses sent to us what little information it had which included the details in the loan table above and some repayment records. Morses has said:

'You may note the loan ID numbers are not in full numerical order and some loan numbers may be missing. For this customer we hold no loan information on account/s 1 to 120. This information may have been deleted due to data retention periods or it may not have been acquired as part of an acquisition, unfortunately we are unable to provide you with any further information relating to those accounts.'

So, our adjudicator had very little to go on. He had no information about Mr L's income at the time, the other loans leading up to these two loans or Mr L's financial circumstances. So, he did not uphold Mr L's complaint and his representative has asked for a final decision but has sent no information to us to substantiate the complaint. 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 L 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 L'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 Morse should have done more to establish that any lending was sustainable for Mr L. These factors include:

- Mr L 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 L 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 L 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 L.

Morse was required to establish whether Mr L 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 L 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 L's complaint.

I'm in the same situation as our adjudicator with no information on which to make any findings.

So, in the absence of any evidence to substantiate the complaint from Mr L, and in the understandable absence of information about loans going back to a decade ago, I have no reason to uphold the complaint. I can only conclude that the loans were lent responsibly.

I note that they were possibly loans 121 and 122 which suggests loans at the end of a long chain. But I've no information about the other loans or the dates of any lent before these were approved. And I cannot guess. I have not been able to make any findings.

I do not uphold Mr L's complaint.

My final decision

My final decision is that I do not uphold Mr L's complaint.

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

Rachael Williams
Ombudsman