

## **The complaint**

Miss N complains that Morses Club PLC lent to her when she could not afford it.

## **What happened**

Miss N complained in February 2022. Miss N was approved for one loan in February 2022 which was for £350 repayable over 35 weeks at £17.50 each week. I do not think that Miss N has paid anything towards the loan.

Miss N received Morses' final response letter which said it had carried out proportionate checks and the income she received (less the expenditure) mean that Morses considered she could afford the £17.50 each week.

Miss N referred her complaint to the Financial Ombudsman Service. In her complaint form Miss N said that she was complaining about irresponsible lending. Miss N said that there was a 'mental health marker' on her credit file and so the loan ought not to have been given. She was asking for the loan to be 'closed down' as it was unaffordable and she had financial difficulties and she had health issues.

One of our adjudicators thought that Morses had carried out proportionate checks and that it had been lent correctly. Our adjudicator referred to the 'mental health marker' and said that the 'marker' on its own would not be a reason for Morses not to lend to Miss N.

Miss N responded to say she wished to appeal it and 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 Miss N 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 Miss N'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 Miss N. These factors include:

- Miss N 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);
- Miss N 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);
- Miss N 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 Miss N. Our adjudicator considered this to be the case for Miss N.

Morses was required to establish whether Miss N 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 Miss N 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 Miss N's complaint.

Miss N needs to understand that for a first loan and for a relatively modest sum of £350 over a relatively modest term (35 weeks) then the checks I consider to be proportionate were carried out by Morses. It obtained her weekly income which it says it verified using a credit search. It obtained her expenditure and it could see she could afford the loan.

What I will say is that the credit search it carried out did show some entries which ought to have alerted Morses to an issue. Miss N had had seven defaults registered in the period 7 to 12 months before she applied for the loan. And she had several delinquent accounts, the total debt total for which amounted to over £4,000. She'd used 20 companies in the previous 20 months and 14 companies in the previous 6 months.

But even if I were to decide that Morses ought to have carried out a further check before lending, I have nothing from Miss N to show me what it is that Morses may have seen if it had wanted additional financial information from Miss N. We asked Miss N to send us details and nothing was sent to us.

As for the mental health and health issues, for obvious reasons I do not list her ailments here. I am sorry to hear of her health issues. And most of the letters and written evidence she has sent to us dates from April 2021.

Miss N has referred to a 'mental health marker' on her credit file but I don't really know what she means by that and when we asked for a copy of her credit file it was not sent to us.

Miss N was a new customer to Morses and so unless she had informed Morses of these health and mental health issues I'd not expect it to know of them. And I don't think that it had any reason to have known about them. I've no evidence from Morses or from Miss N that Morses knew at the time.

Miss N was asking for the loan to be 'closed down' which suggests to me that she's

expecting that I ask Moses to write off the loan. But I have no reason to ask Moses to do that.

I do not uphold Miss N's complaint.

**My final decision**

My final decision is that I do not uphold Miss N's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss N to accept or reject my decision before 17 November 2022.

Rachael Williams  
**Ombudsman**