

The complaint

Miss B complains (through a representative) that Morses Club PLC (Morses) didn't carry out proper affordability checks before it granted loans to her. Had it done so, Morses would've discovered she couldn't afford to repay these loans.

What happened

A summary of Miss B's borrowing based on the information Morses is able to supply is found below.

loan number	loan amount	agreement date	repayment date	term (weeks)	weekly repayment
24	£500.00	13/12/2013	19/12/2014	50	£17.50
25	£700.00	19/12/2014	01/07/2016	50	£24.50

Morses says, that it believes that there were a further 23 loans before the first loan in the table above. Morses has said information about those loans isn't available this is either because the information is no longer available due to its data retention policy. Or, the earlier loans were approved by a different lender – a lender who Morses later acquired and only became responsible for any loans that were still outstanding.

Whatever the reason, neither Morses nor Miss B's representative has been able to provide any information about these loans, as this is the case, this decision can only deal with the two loans in the above table.

Morses considered the complaint and didn't uphold it. Unhappy with this response, Miss B's representative referred the complaint to the Financial Ombudsman Service.

The complaint was considered by an adjudicator. He said he wasn't able to make a full finding about loan 24 due to their being no information about what Miss B may have declared about her income and expenditure. For loan 25, he could see the loan was affordable based on the income and expenditure information Miss B provided. The complaint wasn't upheld.

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

Miss B's representative didn't agree and explained:

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 for a decision.

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 Miss 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 taken into account a number of different things, such as how much was being lent, the size of the repayments, and Miss B'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 Morses should have done more to establish that any lending was sustainable for Miss B. These factors include:

- Miss 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);
- Miss 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);
- Miss 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 Miss B.

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

Loan 24

Before the loan was approved, Morses likely took details of Miss B's income and expenditure. However, the information can't be provided by Morses, and there could be a number of reasons for this. It could be due to the fact that the information is no longer available due to the passage of time. Or, the earlier loans were the responsibility of another lender who approved them. I can't say for sure.

It is also possible, that before this loan was approved a credit check may have been carried out. However, Morses hasn't been able to supply the results of any search. Which would suggest either one wasn't carried out or due to data retention policies the check has been deleted.

But Miss B's representative also hasn't provided the Financial Ombudsman with either bank statements or a credit file. So, I don't know what Miss B's living costs were likely to be at the time.

Due to the lack of information that I have, I can't fairly conclude that Moses was wrong to have approved this loan.

Loans 25

Loan 25, was taken on the same day that loan 24 was repaid and Miss B returned to Moses for a larger sum. And when this loan was approved, similar checks were likely carried out as they were before loan 24. However, Moses, for this loan has been able to provide a copy of the paper application as well as a summary of the information declared by Miss B.

Miss B declared a weekly income of £320. Her outgoings were declared as being £200 which left a disposable weekly income of £120. The loan repayments looked affordable to Moses, given a weekly repayment of £24.50.

There wasn't anything else in the checks that Moses carried out before this loan which indicated the loan was unaffordable or that Miss B was having wider financial difficulties. It also, in my view hadn't yet reached the stage where I think Moses needed to have verified the information Miss B had provided it.

I also, don't have sufficient information to be able to conclude whether this loan was unsustainable for Miss B in some other way.

This loan looked affordable, and I consider proportionate checks were carried out and so I'm therefore not upholding the complaint about either one of Miss B's loans.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 25 November 2022.

Robert Walker
Ombudsman