

## The complaint

Ms C complains (through a representative) that Morses Club PLC (Morses) gave her loans which she couldn't afford to repay.

## What happened

Ms C took a total of four loans from Morses. However, Morses doesn't have any information about loan one. This is likely due to the amount of time that has passed since it was granted and repaid. Ms C's representative also hasn't provided any details about the first loan either.

In addition, Morses initially told Ms C's representative that she had a total of 12 loans. However, when the Financial Ombudsman asked for details of the remaining loans which were granted after loan 4 in the table below. Morses informed the Financial Ombudsman that the information it gave to her representative wasn't correct – this was due to an administrative error. Morses has confirmed, that only the loans in the table listed below related to Ms C. Therefore, this decision only deals with those loans.

For loans that information has been provided for, Ms C borrowed from Morses between August and December 2013. A summary of her borrowing can be found in the table below.

loan number	loan amount	agreement date	repayment date	term (weeks)	weekly repayment
2	£500.00	27/08/2013	sold	50	£17.50
3	£100.00	04/10/2013	07/05/2014	32	£5.00
4	£300.00	04/12/2013	sold	50	£10.50

Ms C had some problems repaying loans 2 and 4 and these were sold to a third-party debt collection agency in February 2017.

The weekly repayment column is the cost per week per loan. Where loans overlapped the cost will be greater. For example, when loans 2 – 4 were running at the same time, Ms C's commitment was £33 per week.

Following Ms C's complaint, Morses considered it and didn't uphold it. Unhappy with this response, Ms C's representative referred the complaint to the Financial Ombudsman.

The complaint was considered by an adjudicator. He thought that given what was apparent to Morses at the time each loan was granted than it made a reasonable decision to lend. He did say, perhaps for the later loans further checks needed to have been carried out but the adjudicator hadn't seen anything that would've led Morses to conclude these loans were unsustainable. He didn't uphold the complaint.

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

Ms C's representative didn't agree and asked for the case to be passed to 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 Ms C 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 Ms C'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 Ms C. These factors include:

- Ms C 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);
- Ms C 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);
- Ms C 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 Ms C.

Morses was required to establish whether Ms C 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 Ms C 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 Ms C's complaint.

Before these loans was approved, Morses likely took details of Ms C's income and expenditure. However, due to the passage of time since these loans were approved Morses no longer has the details of the information that it collected from Ms C. In addition, the Financial Ombudsman hasn't received any information from Ms C's representative about what her income and expenditure may have been at the time.

Given the lack of information from both parties, I can't fairly say that the income and expenditure checks would've showed Morses that these loans were either unaffordable or unsustainable for Ms C.

In addition, it's possible, that a credit search was carried out at some point in the lending relationship. However, for the same reasons as above, due to the passage of time, Morses hasn't been able to provide the results of any credit search it may have carried out.

Given it was early in the lending relationship I think it was reasonable for Morses to have relied on the information Ms C likely gave it. These checks likely showed the loans were affordable, so I think a reasonable decision was made to provide it.

There also wasn't anything else that I can see that would've led Morses to have concluded that either the loans weren't affordable for Ms C or there was some other reason that may have led it to conclude the lending was no longer sustainable – such as previous repayment problems.

Considering a number of factors such as the time in debt, I'm concluding that Morses likely carried out a proportionate check which likely showed it these loans were affordable.

Ms C did have some problems repaying loans 2 and 4 but these problems begun after loan four was advanced, and so Morses wouldn't have been aware of this or have been able to consider it as part of its affordability assessment at the time these loans were approved.

Overall, given the very limited information that I have to hand, I can't fairly conclude Morses made an error when it approved these loans.

### **My final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms C to accept or reject my decision before 6 January 2023.

Robert Walker  
**Ombudsman**