

## The complaint

Miss G, through her representative, complains that Morses Club PLC, lent to her when she could not afford it.

## What happened

Using information from Miss G's representative and from Morses records, here is a brief loan table. The loans have all been paid. The repayment for each loan was £15 a week for 34 or 35 weeks.

Loan	Start Date	End Date	Capital Amount	Interest
1	7/12/2020	20/5/2021	£300	£210
2	20/5/2021	22/11/2021	£300	£225
3	22/11/2021	07/05/2022	£300	£225

After Miss G had complained, Morses sent to her representative its final response letter (FRL) in which it gave reasons why it did not think it had lent irresponsibly.

Miss G referred her complaint to the Financial Ombudsman Service where one of our adjudicators looked at it and thought that Morses had done all it needed to and had done nothing wrong.

The unresolved complaint was passed to me to decide. On 11 November 2022, I issued a provisional decision (duplicated in the next section) in which I gave reasons why I considered that Morses ought not to have lent to Miss G at all. I gave time for the parties to respond. We have not heard from miss G but Morses has emailed us to say that it agrees with my provisional decision.

So it seems appropriate to issue the final determination which is the same as the provisional 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 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 G 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 G'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 G. These factors include:

- Miss G 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 G 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 G 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 G.

Morses was required to establish whether Miss G 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 G 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.

### ***my provisional findings – duplicated in smaller type***

I've considered all the arguments, evidence and information provided in this context, and thought about what this means for Miss G's complaint. And I am planning to uphold it as the credit search Morses carried out on 7 December 2020 showed that Miss G had a significant debt, a large part of which was either on defaulted accounts or were delinquent. And these developments had been as recently as a month before Miss G applied for the Morses loan.

That credit search showed Morses that Miss G had 16 active 'SHARE' records with a total debt of £5,279 of which at least £3,128 was delinquent debt (of which £1,258 were defaulted accounts). That translates into 59% of her total debt which were accounts under stress in that she was in serious arrears or they had been defaulted.

The latest default had been four months before and she had had three in the previous 12 months. In addition, the latest delinquency had been the month before approaching Morses.

So, despite Miss G's application to Morses for loan 1 being relatively modest at £300 then I think that it knew she was having real trouble managing her other accounts. And although I understand that Morses often does lend to customers with a poor credit record, this record for Miss G was current, meaning the recent debts were very proximate.

An example of some of the credit search records is set out below, and I use these as they are in the same sector as that to which Morses belongs:

*'Number of Delinquent Accounts in Home Credit Sector 4  
Total Value of Delinquent Accounts in Home Credit Sector £1870  
Months Since last Delinquency in Home Credit Sector 10'*

And so I don't think Morses should have lent to Miss G at all and I uphold her complaint as the loans which followed in relatively quick succession after loan 1 would not likely to have been at a time when

Miss G's debt situation had radically altered. Additional loans would have just added to her increasing debt situation.

And I note from the repayment records Morses sent to us that on each occasion Miss G asked Morses for more she had not repaid the earlier loan and the new loan went towards repaying the earlier loan.

### ***My final determination***

As Morses has agreed to the provisional decision findings then I have no reason to depart from those. They are repeated as part of the final decision and I uphold Miss G's complaint.

### **Putting things right**

In deciding what redress Morses should fairly pay in this case I've thought about what might have happened had not lent to Miss G at all, as I'm satisfied it ought not to have. Clearly there are a great many possible, and all hypothetical, answers to that question.

For example, having been declined this lending Miss G may have simply left matters there, not attempting to obtain the funds from elsewhere, and if this wasn't a viable option, they may have looked to borrow the funds from a friend or relative – assuming that was even possible.

Or, they may have decided to approach a third-party lender with the same application, or indeed a different application (i.e. for more or less borrowing). But even if they had done that, the information that would have been available to such a lender and how they would (or ought to have) treated an application which may or may not have been the same is impossible to now accurately reconstruct.

From what I've seen in this case, I certainly don't think I can fairly conclude there was a real and substantial chance that a new lender would have been able to lend to Miss G in a compliant way at this time.

Having thought about all these possibilities, I'm not persuaded it would be fair or reasonable to conclude that Miss G would more likely than not have taken up any one of these options. So it wouldn't be fair to now reduce Morses' liability in this case for what I'm satisfied it has done wrong and should put right.

Morses shouldn't have given Miss G loans 1 to 3.

A) Morses should add together the total of the repayments made by Miss G towards interest, fees and charges on these loans, including payments made to a third party where applicable, but not including anything it has already refunded.

B) Morses should calculate 8% simple interest\* on the individual payments made by Miss G which were considered as part of "A", calculated from the date Miss G originally made the payments, to the date the complaint is settled.

C) Morses should pay Miss G the total of "A" plus "B".

D) Morses should amend Miss G's credit file record to remove any adverse payment information.

\*HM Revenue & Customs requires Morses to deduct tax from this interest. Morses should give Miss G a certificate showing how much tax Morses has deducted if she asks for one.

### **My final decision**

My final decision is that I uphold Miss G's complaint and I direct that Morses Club PLC does as I have outlined in the 'putting things right' part of the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G to accept or reject my decision before 22 December 2022.

Rachael Williams  
**Ombudsman**