

## The complaint

Miss L, through her representative, complains that Morses Club PLC lent to her when she was on benefits and could not afford the repayments.

## What happened

Miss L took three loans. Her representative has said it was two but Morses has provided this loan table in its final response letter (FRL) dated June 2022 and it lists three loans. I have proceeded on the information Morses has provided.

Loan	Start Date	Capital Amount	Term	Repayment amount
1	23/08/2018	£100.00	20	£7.50
2	27/11/2018	£200.00	33	£10.00
3	13/06/2019	£300.00	33	£15.00

From Morses' repayment records it seems that Loan 2 may have been repaid alongside loan 3 – meaning that they overlapped but probably only for a short time. And Morses has informed us that on 10 April 2020 loan 3 was sold to a debt collection agency and the amount owed at that date was £245.

Morses' FRL did not uphold her complaint and so it was referred to the Financial Ombudsman Service after which one of our adjudicators reviewed it. She did not think that the evidence pointed towards any irresponsible lending and did not uphold Miss L's complaint.

Miss L's representative has asked for an ombudsman's review but has sent no further evidence to support her claim. 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 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 Miss 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 Morses should have done more to establish

that any lending was sustainable for Miss L. These factors include:

- Miss 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);
- Miss 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);
- Miss 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 Miss L.

Morses was required to establish whether Miss L 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 L 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.

I've considered all the arguments, evidence and information provided in this context, and thought about what this means for Miss L's complaint. I've decided not to uphold Miss L's complaint.

No credit check was carried out by Morses for Miss L which is not contrary to the regulations with which Morses had to comply. And I am satisfied that for these loans of £100, £200 and £300 respectively which were relatively modest and for relatively short terms (particularly loan 1 which was for £100 and 20 weeks) then it was proportionate for Morses to rely on the information Miss L provided to it.

Here is a summary of the income and expenditure details Morses has told us that Miss L provided:

LOAN	INCOME	EXPENDITURE	DISPOSABLE INCOME
1	£224.00	£165.00	£59.00
2	£200.00	£170.00	£30.00
3	£357.84	£208.00	£149.84

Morses said that it would have verified her income and I note that her income reduced for loan 2 and increased for loan 3.

But as I consider that proportionate checks were carried out, and in the absence of any information from Miss L's representative to persuade me otherwise, then it seems that when Miss L applied for the loans Morses would have determined them affordable.

I do not uphold Miss L's complaint.

**My final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 12 December 2022.

Rachael Williams  
**Ombudsman**