DRN-3793523

The complaint

Mr V, through his representative, complaints that Morses Club PLC lent to him when he could not afford it.

What happened

Both Mr V's representative and Morses agree that Mr V was approved for six loans and here is a brief loan table.

Loan	Start Date	End Date	Capital Amount	Interest amount	Term	Repayment amount	Weeks Live
1	12/09/2013	18/07/2014	£350.00	£262.50	50	£12.25	44
2	18/07/2014	10/10/2014	£350.00	£262.50	50	£12.25	12
break							
3	08/01/2016	13/07/2016	£250.00	£162.50	33	£12.50	27
4	13/07/2016	17/02/2017	£250.00	£162.50	33	£12.50	31
5	31/08/2016	07/07/2017	£250.00	£162.50	33	£12.50	44
6	17/02/2017	In IVA	£250.00	£162.50	33	£12.50	270

The main point to note is that there is not a lot of financial information about many of these loans due to the age of them.

After Morses had issued its final response letter (FRL) in which it did not uphold Mr V's complaint, it was referred to the Financial Ombudsman Service. One of our adjudicators looked at it and thought that the complaint ought not to be upheld.

Mr V's representative has asked that it be reviewed by an ombudsman but has not sent to us any additional information to demonstrate Mr V's financial situation. Morses has told us that Mr V went into a debt management programme in 2017 and the last loan forms part of an IVA (Individual Voluntary Arrangement). Morses has sent to us copies of the paper applications for those in 2016 and loan 6 was entered onto its 'front sheet' which gave Mr V's declared income as £350 and his outgoings as £150.

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 Mr V 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 Mr V'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 Mr V. These factors include:

- Mr V 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);
- Mr V 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);
- Mr V 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 Mr V.

Morses was required to establish whether Mr V 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 Mr V 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 Mr V's complaint.

Loans 1 and 2

We have no information from either Mr V or from Morses on the financial situation for Mr V in 2013 and 2014. So, with no information I am not able to make any findings on the complaint for these two loans.

Loans 3 to 6

There was a significant break in the lending chain when Mr V applied for loan 3 and I think it reasonable that Morses was able to treat Mr V as a new customer due to that break which meant that relying on the information Mr V gave to Morses at the time was satisfactory and I'd consider to have been proportionate checks.

In the absence of information about Mr V's financial situation for the lending period covering loans 3 to 6 then I have relied on the information I have received from Morses. The income and expenditure information I have got from the paper applications for loans 3 to 5 and the 'front sheet' for loan 6 show me that Mr V was able to afford the weekly repayments.

For Loan 3, which was for a relatively modest sum of £250 over a 33 week term, Mr V's paper application shows me that he had said he earned £270 a week, he was single and his outgoings each week were £150 which included rent, utility bills and food/transport costs. So, the repayment of £12.50 each week would have appeared affordable.

For Loan 4, Mr V said he earned £350 a week and his outgoings were £195. So, Loan 4 would have looked affordable.

I do have a concern about loan 5 as it was applied for within a few weeks of taking loan 4. Mr V informed Morses that he earned £350 a week and his outgoings were £195 a week. And loan 5 would have been running concurrently with loan 4 which would have increased his repayments each week to Morses. But I've no information from Mr V about his finances and so even if Morses had done some more checking as to why he wanted more credit so soon after taking loan 4, I've no information to help me to assess that.

Morses has not been able to send to us any credit search details and I am unclear whether a search of Mr V's credit situation was carried out and Morses no longer has the files or none was carried out. But it was not a requirement for Morses to carry out a credit search before lending, and so the lack of it would not necessarily alter the outcome.

I have seen a copy of the repayment records for Mr V and having reviewed them it does appear that Mr V may have had some difficulty repaying in the middle of loan 3. But without additional information on his financial situation in 2016 and 2017 I am not able to determine why or the reasons for it.

I know that Mr V's representative has raised the argument surrounding Morses having lent so often a harmful pattern of lending had developed. But I don't think that the second loan chain (loans 3 to 6) was a particularly long period such that a pattern had been established. Overall, and on the evidence I have, it seems that Mr V was able to afford the loans and I do not uphold Mr V's complaint.

My final decision

My final decision is that I do not uphold Mr V's complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr V to accept or reject my decision before 15 December 2022.

Rachael Williams
Ombudsman