

The complaint

Ms S, through his representative, complains that Morses Club PLC lent to him irresponsibly.

What happened

Using information from Morses, here is a table with brief details of the approved loans. I have included the weeks taken to repay the loans.

Loan	Start Date	End Date	Capital Amount	Interest amount	Term weeks	Repayment amount weekly	Weeks Live
1	10/08/2016	28/06/2017	£300.00	£195.00	33	£15.00	46
2	09/08/2017	27/12/2017	£200.00	£130.00	33	£10.00	20
3	27/12/2017	08/08/2018	£300.00	£195.00	33	£15.00	32
4	08/08/2018	06/03/2019	£400.00	£260.00	33	£20.00	30
5	06/03/2019	15/10/2019	£400.00	£260.00	33	£20.00	32
6	15/10/2019	09/06/2020	£600.00	£420.00	34	£30.00	34

There was a short gap between paying off loan 1 late and applying for loan 2.

Morses issued its final response letter after receiving Ms S' complaint in which it gave reasons why it did not uphold his complaint. Ms S referred it to the Financial Ombudsman Service where one of our adjudicators considered it. He felt that the overall pattern of lending was harmful from loan 4 bearing in mind the type of credit as well as the relevant rules, guidance, and good industry practice at the time. So, he thought that Morses should put things right for Ms S for loans 4 to 6.

Ms S' representative has acknowledged receipt of the adjudicator's view and has forwarded it to Ms S for his response but none has been received to date.

Morses disagreed twice in emails dated 24 October 2022 and 8 November 2022 and made several submissions giving reasons why it thought that, all of which I have reviewed.

The unresolved complaint was passed to me to decide and on 15 November 2022 I issued a provisional decision giving reasons why I considered that on the evidence I had at the time, I do not think Morses had done anything wrong. I invited both parties to respond and/or to send me more evidence.

Ms S' representative has confirmed that it had been in touch with Ms S but had not received any further information from her.

Morses responded to say it agreed with my provisional decision.

The reply date has passed and so the provisional decision findings are duplicated in the next section and in smaller print to differentiate it.

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 Ms S 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 Ms S'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 Ms S. These factors include:

- Ms S 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 S 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 S 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 S. Our adjudicator considered this to be the case for Ms S.

Morses was required to establish whether Ms S 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 S 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 decision findings dated 15 November 2022

I've considered all the arguments, evidence and information provided in this context, and thought about what this means for Ms S' complaint.

It seems that the loans still unresolved are those relating to loan 4 to 6. And I say this because Ms S has not replied to say that she disagrees with the outcome and Morses has made representations

about loans 4 to 6. So, this decision will focus on loans 4 to 6 placed within the context of the lending relationship.

LOAN	INCOME	EXPENDITURE	DISPOSABLE INCOME
1	£263.10	£120.21	£1.00*
2	£276.00	£85.00	£191.00
3	£222.00	£75.00	£147.00
4	£284.60	£82.00	£202.60
5	£195.52	£98.00	£97.52
6	£200.00	£80.50	£119.50

*this was what appeared in Morses' records. It may be a typing error.

The information Morses has provided is that Ms S was drawing on her pension for the lending period. The overall impression is of Ms S' income reducing as she applies for larger loans as loans 4 to 6 were for £400, £400 and £600 respectively whereas for those loans it appears her pension had reduced incrementally from £284 at loan 4 to £195 for loan 5 and £200 for loan 6.

Having said that, on the information I have from Morses which it says were records from the time Ms S applied for the loans, then she appears to have disposable income capable of covering the weekly repayments for loans 4 to 6. Comparison of the expenditure figures for Ms S show me that the declared amounts were similar each time and the consistency of those figures leads me to think they are likely representative of Ms S' costs. And so that does show me – on current evidence – Morses had reason to consider the loans affordable.

And Morses has sent to us records which demonstrate satisfactory repayment schedule (apart from loan 1) and in some cases Ms S repaid earlier than the scheduled term end. And so, I do not consider I have evidence to suggest that the repayments for loans 4 to 6 were such that they were unsustainable or harmful to Ms S and therefore I do not agree with the adjudicator's outcome.

I'm issuing this provisional decision to indicate that by loan 4, when Ms S had been borrowing from Morses continuously (save for a month at the beginning of the relationship) for two years, then it ought to have carried out further checks. By Loan 4 I think Morses ought to have recognised that it needed to verify certain aspects of the financial situation which was requiring Ms S into needing more credit and thereby into more debt.

And I don't think that Morses did that.

Having said that, Ms S has sent us nothing to support her claim in that we have no details of her financial situation for that period of the lending relationship.

The credit search Morses carried out was an insight but that was done at loan 1 in August 2016. By loan 4 in August 2018 that set of results would not be current and therefore not likely to have given a true picture.

Without more information from Ms S, and on the information I have from Morses, it seems that she was able to afford the loan repayments for loans 4 to 6.

So, on current evidence, I am planning not to uphold Ms S' complaint.

How did the parties respond?

As I said earlier in the decision, Morses agreed with my provisional decision and Ms S' representative acknowledged it had received it, but nothing further has been sent to us about this complaint.

In the circumstances, and the absence of any further evidence or submissions then I repeat

my provisional findings here.

I do not uphold Ms S' complaint for the same reasons.

My final decision

My final decision is that I do not uphold Ms S' complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms S to accept or reject my decision before 27 December 2022.

Rachael Williams
Ombudsman