

## The complaint

Mrs W, through her representative, complains that Morses Club PLC lent to her irresponsibly.

## What happened

Using information from Morses' records, here is a loan table. Loans 2 and 3 did overlap and so Mrs W's repayments would have been the combined sum in the repayment column.

Loan	Start Date	Capital Amount	Term weeks	Repayment amount	repaid
1	11/03/2016	£300.00	33	£15.00	28/10/2016
2	09/08/2016	£300.00	33	£15.00	02/02/2017
3	06/12/2016	£500.00	52	£17.50	15/11/2017*

\*this looks to have been the date that Morses sold the debt to a third party. Morses has told us:

*'The current status of the account is passed to a debt collection agency with a balance of £707.30.'*

Morses' final response letter following Mrs W's complaint gave reasons why it did not consider it had done anything wrong. Mrs W referred her complaint to the Financial Ombudsman Service and one of our adjudicator's looked at it. She considered that Morses had done all it needed to do and there was no evidence to suggest Morses had lent irresponsibly in relation to loans 1 and 2.

For loan 3, our adjudicator did think that Morses ought to have done additional checks before lending as it was for a larger amount and for a longer term. But our adjudicator was not able to come to any conclusion as to what Morses might have seen if it had carried out a further series of checks. That was because Mrs W had not sent to us any information relating to her financial situation in December 2016.

Mrs W's representative replied to say that it wanted an ombudsman to review the complaint but sent no additional information to support Mrs W's 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 Mrs W 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 Mrs W'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 Mrs W. These factors include:

- Mrs W 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);
- Mrs W 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);
- Mrs W 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 Mrs W.

Morses was required to establish whether Mrs W 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 Mrs W 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 Mrs W's complaint. I've decided not to uphold Mrs W's complaint.

Morses has not been able to send to us any details of the information gathered from Mrs W for loans 1 and 2. The reason seems to be due to the passage of time as these were loans approved from Mrs W in 2016. So, I don't find that unreasonable.

Morses has been able to send to us the credit search results it did on 9 March 2016 which was just before loan 1. There is nothing in those search results which leads me to think that Morses ought to have been alerted to any need for carrying out any additional checks before lending. So, on the limited information I have, there's no reason to conclude that Morses lent to Mrs W irresponsibly in respect of loans 1 and 2. I do not uphold Mrs W's complaint for those two loans.

For Loan 3, I agree with our adjudicator that Morses ought to have done additional checks before lending as it was for a larger amount and for a longer term and loan 2 remained outstanding. But Mrs W has not sent to us any information relating to Mrs W's financial situation in December 2016 when she applied for loan 3. And even since our adjudicator's written view in which she said that more evidence would be needed for a conclusion to be reached, and despite being professionally represented, no additional information has been

sent to us.

So, I must rely on the information Morse has been able to provide. This was that Mrs W's income was £400 a week from a salary, that her outgoings were £100 which included the outstanding Morse loan repayments. And so, it considered she was able to afford the additional £17.50 a week for loan 3.

In the absence of any evidence from Mrs W to the contrary, then I make my decision based on the evidence I have. And I think that Mrs W was likely able to afford the loan.

I do not uphold Mrs W's complaint about loan 3.

### **My final decision**

My final decision is that I do not uphold Mrs W's complaint.

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

Rachael Williams  
**Ombudsman**