

## The complaint

Ms C, through her representative, complains that Morses Club PLC, lent to her without doing the right checks and if it had then it would not have lent to her.

## What happened

Ms C's representative said that she took 6 loans. The final response letter from Morses lists six loans and those are duplicated here in table form.

When I issued my provisional decision on this complaint on 24 November 2022 – a duplicate of which is set out later in this final decision – I had evidence to suggest that Ms C may have taken 7 loans – possibly 8 loans. Since that date, Morses has written to say that the additional information was a mistake and has reconfirmed that Ms C had 6 loans with them.

The loan table reflects the corrected loan summary. All loans were 33 weeks long save loans 5 and 6 which were 34 weeks.

Loan`	Start date	End date	Capital	Repayment
1	4 April 2017	13 November 2017	£200	£10
2	13 November 2017	23 July 2018	£300	£15
3	23 July 2018	11 March 2019	£300	£15
4	11 March 2019	13 December 2019	£400	£20
5	16 December 2019	24 September 2020	£400	£20
6	24 September 2020	13 August 2021	£400	£20

After Morses had issued its FRL in May 2022, in which it gave reasons why it did not uphold Ms C's complaint, she referred it to the Financial Ombudsman Service.

One of our adjudicators considered it and thought that loans 4 to 6 ought not to have been lent to Ms C. Her reason was that she felt that by loan 4 the overall pattern of lending was harmful bearing in mind the type of credit as well as the relevant rules, guidance and good industry practice at the time.

Morses made two sets of submissions why it disagreed all of which I have read. These are summarised here:

- Loan 4 was only a £5 a week increase in the repayment
- Ms C was repaying one loan at a time
- Morses had carried out an income and expenditure (I&E) assessment which included verified weekly income figures for loans 4 and 6 as £261.75 and £310.
- For loan 5 Ms C's weekly expenditure was verified by the agent and confirmed with benefits evidence to be £298.75
- *'As loans 5 and 6 were issued after 20th June 2019 we used figures from the Office*

*of National Statistics (ONS) and pre-populated minimum figures for expenditure which can include rent, council tax, utilities, insurance, transport, groceries, media and childcare. We also pre-populated the payments she made towards creditors by using information provided by TransUnion.'*

- It sent to us details of two sets of explanations Ms C gave to Morses at the time she was applying for loans 5 and 6 which were that she was on Universal Credit (UC) and so she said that she '*pays top up rent and low council tax, water bills automated [sic] taken from UC, ...no insurance or childcare, customer confirms media*'. The note for loan 6 was along the same lines.
- '*We utilised a maximum of 18.6% of [Miss C's] uncommitted and available income to meet her repayment to Morses Club and we do not consider this to be excessive.*' Ms C's repayment record was good and if there were late payments then the delay was small.
- Ms C did not need to take out additional loans. There did not appear to be any payment problems to Morses, and there was no evidence Ms C was using other funds to meet her repayments to Morses which was then causing Ms C to borrow again.

Ms C's representative acknowledged receipt of the adjudicator's view and receipt of the email to say that the complaint was being passed to an ombudsman to decide. But no opinion was expressed on the adjudicator's view.

The unresolved complaint was passed to me to decide and as I have said earlier I issued a provisional decision as to why I considered it fair and reasonable to uphold Ms C's complaint from the beginning of her relationship with Morses.

Since then, Morses has corrected the loan list and I'm grateful for the clarity. Ms C's representative has acknowledged receipt of the provisional decision but since then we have not heard Ms C's opinion on it.

The reply date has been reached and so I duplicate here the provisional decision, in smaller type to differentiate it. Reference to loans 1A and 1B can be ignored now as the loan table has been clarified to commence in April 2017 at loan 1.

### ***My provisional decision dated 24 November 2022***

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 irresponsible lending - including all the relevant rules, guidance and good industry practice - on our website.

Morses needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Ms C could repay the loans in a sustainable manner.

These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and the consumer's income and expenditure. In the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate.

But certain factors might point to the fact that Morses should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These factors include:

- the lower a customer's 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 higher the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the greater the number and frequency of loans, and the longer the period of time during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

And the loan payments being affordable on a strict pounds and pence calculation might be an indication a consumer could sustainably make their repayments. But it doesn't automatically follow this is the case. The industry regulator defines sustainable as being without undue difficulties and in particular, the customer should be able to make repayments on time, while meeting other reasonable commitments; as well as without having to borrow to meet the repayments. And it follows that a lender should realise, or it ought fairly and reasonably to realise, that a borrower won't be able to make their repayments sustainably if they're unlikely to be able to make their repayments without borrowing further.

Morses carried out a credit search in March 2017. So, that may have been during the life of loan 1A or just before Ms C took loan 1. Those credit search results do not present a positive picture. Here, in the paragraphs that follow, are summaries of some of the details I have gathered from that report.

Ms C had 11 active 'SHARE' accounts, a County Court Judgment from 8 months before the March 2017 search date which had a value of around £600. The total value of all her accounts were £6,285 of which six were in home credit accounts and those came to a total of £941. Total payments on active Home Credits were £128 a month.

As at March 2017, Ms C had 7 accounts in default and 8 in delinquency, of which I anticipate that the 7 defaults formed part. But they may have been separate statistics. All the defaulted accounts amounted to £4,774 and the delinquents balance was £5,182. The most recent default was 32 months beforehand. Some of the defaulted accounts included those relating to utility bills - £2,693. And £533 worth of defaults was in the home credit category. Three delinquent accounts were in the home credit sector amounting to £941. The latest delinquency in the home credit sector was 4 months before the March 2017 search date.

My view is that for Ms C to be so much in debt, to have defaulted accounts in relation to utilities which I consider to be priority bills, to have a poor record in the home credit sector to which Morses belongs and had a CCJ just 8 months before the first loan listed in the loan table, then Morses ought not to have lent at all. For an individual to have got to the stage where a creditor has applied for Judgment against them, then the debt situation must have been in place for some considerable time. And 8 months before March 2017 is not very long before Ms C took either loan 1A or loan 1.

The submission by Morses '*We also pre-populated the payments she made towards creditors by using information provided by TransUnion.*' I reject this submission on the basis that little or nothing of these credit search results appear on the I&E spreadsheet it has sent us, or to have been factored into any of the loan creditworthiness assessments as required by the regulations governing responsible lending.

For fairly clear reasons I consider that Morses had sufficient information about Ms C from March 2017 and knew she had been subjected to a Judgment against her a few months before that and so I consider that I can uphold the complaint from January 2017.

If the records Morses has – and need to be sent to me – demonstrate that the loans listed and labelled by me as loans 1A and 1B were not related to Ms C then I will simply issue the final decision – subject to any new evidence – as an uphold commencing March 2017 which would cover the period from loan 1. But on current evidence I consider I have enough to

uphold from January 2017 which was loan 1A and each of the loans following on from that. I plan to uphold Ms C's complaint.

### **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.

### ***How did the parties respond to the provisional decision***

Morses clarified the loan table and added nothing further on the merits of the complaint.

Ms C has not given an opinion on the outcome.

So I see no reason to depart from the provisional findings I made other than remove reference to loans 1A and loan 1B. And for the same reasons given in my earlier provisional decision (duplicated here) I uphold Ms C's complaint from loan 1 to loan 6.

### **Putting things right**

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

For example, having been declined this lending Ms C may have simply left matters there, not attempting to obtain the funds from elsewhere. 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 reconstruct now accurately. 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 Ms C 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 Ms C 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.

I plan to decide that Morses shouldn't have given Ms C any of the loans and I plan to direct that it does as follows.

A) Morses should add together the total of the repayments made by Ms C 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 Ms C which were considered as part of "A", calculated from the date Ms C originally made the payments, to the date the complaint is settled.

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

D) Ms C's credit file in relation to each of the loans needs to be amended to remove adverse

payment information. If Morses has sold any of the loans Morses should ask the debt purchaser to do the same.

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

### **My final decision**

My final decision is that I uphold Ms C's complaint and I direct that Morses Club PLC does as I have outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms C to accept or reject my decision before 6 January 2023.

Rachael Williams  
**Ombudsman**