

The complaint

Ms D, through her representative, complains that Morses Club PLC lent to her when her financial situation was already poor.

What happened

Using information from Morses, here is a brief table of the approved loans.

Loan	Start Date	End Date	Capital Amount	Interest amount	Term	Repayment amount	Weeks Live
1	07/07/2017	23/11/2017	£300.00	£195.00	33	£15.00	20
2	23/11/2017	21/11/2018	£700.00	£574.00	52	£24.50	52
3	21/11/2018	22/10/2019	£700.00	£574.00	52	£24.50	48
4	22/10/2019	06/11/2020	£800.00	£684.00	53	£28.00	54

After Ms D has complained, Morses issued its final response letter to her representative giving reasons why it felt it had done nothing wrong.

Ms D referred it to the Financial Ombudsman Service and one of our adjudicators looked at it. He thought that by loan 4 Morses ought to have ceased lending as it should've reasonably questioned whether continuing to offer such similar loans with such a lengthy repayment period to a customer who appeared to be reliant on this form of lending was unsustainable or otherwise harmful. Our adjudicator explained that he had come to this view because:

- by loan 4 Ms D would have been indebted to Morses for over 27 months.
- the amounts Ms D was borrowing generally increased throughout the lending period and loan 4 had been the highest capital amount borrowed.
- furthermore, Ms D's borrowing trends should have alerted Morses in that she took substantially lengthy loans with no breaks and with one loan straight after the other.

Morses disagreed and in summary it said as follows:

- it noted that £800 at loan 4 was higher than the previous loans, but Ms D's record of repayments had been good
- it carried out an income and expenditure assessment (I&E) and Ms D signed it as being true and correct
- the weekly income for loan 4 had been declared by Ms D as £419 which Morses confirmed through the credit reference agencies (CRA) and so it was confident as to its accuracy
- it used Office of National Statistics (ONS) figures to complete the expenditure details and it knew Ms D's rent and council tax was paid by 'DHSS' – Morses' phrase not mine.
- It had calculated that Ms D had a disposable weekly income of just under £280 a week and the £28 a week to pay for loan 4 translated into 10% of her income which it considered satisfactory.

- Morses never was made aware of any financial difficulties
- Ms D overpaid on several of the loans
- There was no legal requirement to look at an applicant's bank account statements before lending
- There's no evidence to suggest that Ms D was having to use other funds to service the Morses loans.
- Ms D did take the loans consecutively but essentially that was her choice.

Ms D's representative acknowledged receipt of the adjudicator's view and that it was being passed to an ombudsman but no further representations have been made about the complaint. From that it seems that Ms D was content with outcome and that suggests content with the outcome for loans 1 to 3 as well.

The unresolved complaint was passed to me to decide and I issued a provisional decision – which is duplicated here in smaller type for ease of reading.

What I've provisionally 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 D 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 several different things, such as how much was being lent, the size of the repayments, and Ms D'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 D. These factors include:

- Ms D 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 D 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 D 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 D. Our adjudicator considered this to be the case for Ms D in relation to loan 4.

Morses was required to establish whether Ms D 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 Ms D 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 Ms D's complaint.

I am issuing a provisional decision and so both parties have time to send me further information or evidence if they wish. And so, I will take this relatively briefly.

The evidence I have does not indicate that Ms D's financial situation was particularly poor before she took the loans, which is what her representative has said in the complaint form. And I say that as I have seen the credit search that Morses undertook in July 2017. That indicated that she had two active accounts which can include a bank account, relatively little other debt (around £1,100) and one defaulted account from nine months before (£290 on a mail order account) which I would not consider to have been enough of a concern to Morses.

I have seen the repayment records for loans 1 to 3 and I do not get the impression Ms D struggled to repay the loans. I have no other information from Ms D to support her claim or to demonstrate that the loans were unaffordable. And using the information I have from Morses it appears that she had enough income each week to repay loan 4.

After 27 months from when Morses did its credit search result and assessed Ms D for loan 1, then by loan 4 and an application for £800, I do think that Morses ought to have sought more information and not relied simply on what it was being told by Ms D.

But as I have no information about Ms D's finances in October 2019 when she applied for loan 4 then I can't review what it is that Morses may have discovered if it had asked for more details.

On current evidence, I plan not to uphold Ms D'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.

Both parties have responded to the provisional decision.

Morses agrees with it and Ms D's representative has informed us that it has passed the provisional decision to its client. Nothing further has been received and as this has happened before on this case it seems unlikely that anything will be forthcoming from Ms D.

The reply date for additional comments and/or evidence has been reached.

And so, in the interests of both parties, and to resolve this complaint, for the same reasons as those set out in the provisional decision and with nothing further from Ms D to support her claim, then I do not uphold her complaint.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms D to accept or reject my decision before 11 January 2023.

Rachael Williams
Ombudsman