

## The complaint

Mr B, through his representative, has complained that Morses Club PLC lent to him irresponsibly.

## What happened

Using information from Morses' records, here is a brief loan table.

Loan	Start Date	End Date	Capital Amount	Interest amount	Term	Repayment amount	Weeks Live
1	07/08/2015	04/03/2016	£300.00	£210.00	34	£15.00	30
2	04/03/2016	21/10/2016	£400.00	£260.00	33	£20.00	33
3	19/01/2017	09/09/2017	£400.00	£260.00	33	£20.00	33
4	11/10/2017	10/03/2018	£400.00	£260.00	33	£20.00	21
5	29/12/2017	10/03/2018	£600.00	£492.00	52	£21.00	10

Morses received the complaint from Mr B's representative and I have seen a copy of it. I will refer to it later in the decision. Morses issued its final response letter (FRL) and did not uphold Mr B's complaint. It said:

*'Your application history shows you declared you had an average income of £524.00, expenditure of £265.00 and a disposable income of £259.00, which was more than adequate to meet your repayments.'*

Mr B's representative referred the complaint to the Financial Ombudsman Service. One of our adjudicators looked at the complaint and a brief assessment resulted in an outcome of loans 3 to 5 being upheld by us. Morses responded to explain why it did not agree and I summarise its points here:

- Before loan 3 was taken there had been a break of almost three months
- Loan 3 was the same capital sum as loan 2 and Mr B's repayments did not increase – they remained at £20 each week
- There was a 5 week break before loan 5 and it was the same capital sum as before
- Loan 4 was settled 12 weeks early
- Loan 5 was for a larger sum and a longer term. The cost to Mr B had not increased much as it was £21 a week
- Loans 4 and 5 ran together and the total repayment was 8.2% of his income each week
- Loan 5 was repaid after 10 weeks
- The income for loans 3 to 5 was confirmed with copies of wage slips
- Mr B never said to any of the agents that he had any difficulties and Mr B never received any arrears letters during the lending relationship

One of our adjudicators decided to issue a view and in it he reiterated the earlier view that Morses should not have lent to Mr B for loans 3 to 5 because he felt that Morses should have

*'...reasonably questioned whether continuing to offer further loans to a customer who appears to be reliant on this form of lending was unsustainable or otherwise harmful. I say this because:*

- [Mr B] had taken 3 loans in 17 months;
- the amounts they were borrowing increased over this period and for the rest of the borrowing relationship with you;
- [Mr B's] borrowing didn't significantly reduce over time and reported a reduction in income compared to his previous loan.

*So in my view, the pattern of lending itself shows that the loans from here were unsustainable – so I don't think you should have given [Mr B] any of loans 3 to 5.'*

Morses continued to disagree and Mr B's representative was informed the complaint was being passed to an ombudsman for review.

The unresolved complaint was passed to me to decide. On 16 December 2022 I decided to issue a provisional decision to give Mr B time to respond and send evidence to me if he felt it was right to do so to substantiate his complaint. That provisional decision is duplicated in full here – it is in smaller type to differentiate it.

#### **My provisional decision dated 16 December 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 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 B 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 B'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 B. These factors include:

- Mr B 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 B 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 B 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 B. Our adjudicator considered this to be the case for Mr B.

Morses was required to establish whether Mr B could sustainably repay the loans – not just

whether he technically had enough money to make his repayments. Having enough money to make the repayments could of course be an indicator that Mr B 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 B's complaint. My provisional decision, based on current evidence, is that there is nothing in the complaint files to demonstrate to me that Mr B was either finding it difficult to repay the loans, was reliant on the credit or was not able to afford the £20 or £21 each week for loans 3 to 5.

It seems that Mr B was content with the outcome for loans 1 and 2 as his representative's response to the adjudicator's view was to express disappointment at Morses' objection to it – meaning that Morses was challenging the outcome for loans 3 to 5. So, I do not consider that I need to review loans 1 and 2 but I have referred to some of the evidence on those two loans to gain a picture of Mr B's finances as I wanted to use all of what little I have.

#### *The evidence from both parties.*

Mr B is represented by a professional claims management company and it is with that evidence I commence.

Mr B's representative's letter to Morses to complain on Mr B's behalf was dated March 2022 and after outlining the regulatory requirements and the basis of his complaint it listed the accounts that it had discovered were 'active' using Mr B's credit report. No copy of the report was included. That listed a series of accounts all of which were in credit, had 'payments up to date' markers and generally appeared to be satisfactory. There was reference to a default but there is no date and I've seen no record of it – it was for £880. It may be that Mr B can send further details if he wants. Apart from that there is nothing else listed likely to cause a concern.

There was reference to two accounts with two companies I recognise may have been collection agencies commencing June 2016 and September 2016 – according to the list. And it has a note next to each saying that a 'limit' was exceeded several times. If these accounts do relate to some sort of collection then the reference to a limit being exceeded does not make sense. But the lack of detail and the lack of explanation as to what that 'limit' was and when those apparently took place means that the evidence is fairly meaningless. In its current format, I attach little weight to these lists of figures and dates as the credit report from which this information was taken would provide me with further details and would constitute the actual evidence.

Morses has said it does not hold a record of any credit searches and so has not been able to send me anything.

As the earlier loans were applications carried out on paper I have looked at them to get an idea as to what Mr B was declaring to Morses in 2015 and 2016. I have seen that he informed it in August 2015 that he earned £320 a week and the agent had said she had seen evidence of that. Further, that his outgoings (including rent, bills and living costs) came to £190 a week and it looks like the disposable amount each week was £130 although the agent has placed that figure in the wrong part of the application I think.

The paper application for March 2016 gives details that Mr B earned £750 a week ('evidence seen', the form states), and his outgoings were £415 a week and his disposable income was £335. So, at this stage it seemed that Mr B had plenty of disposable income with which to afford loans 1 and 2.

The loans after that were applied for differently and we have been sent the 'front sheet' which shows these figures for loans 3 to 5 and that the wages evidence had been validated:

Income	Expenditure	Disposable income
£550.00	£270.00	£280.00
£500.00	£280.00	£220.00
£500.00	£170.00	£330.00

The figures for rent and utilities seem to fluctuate between a combined figure of £130 and £175 so even if I use the higher figure of £175 for both then the loans looked affordable still. And I note that loans 4 and 5 overlapped for a while and so Mr B would have been paying £41 a week.

I have been provided with the repayment records and those do show me that Mr B paid down loans to zero before taking the next one for loans 2 and 3. And there was a clear gap of about three months between loans 2 and 3 and a month between paying off loans 3 and applying for loan 4 as well as paying them both down to zero.

None of those repayment history figures nor the sequence of the lending history suggests to me either that Mr B had trouble repaying or that he needed the next loan to repay the previous, or that he was reliant on the credit he was getting from Moses.

Loan 5 did overlap with loan 4 but both were repaid very early with a lump sum of £814.36 on 10 March 2018, according to the records provided.

As I have outlined earlier, without further details from Mr B, I can only rely on the contemporaneous evidence of the application data and that shows me that Mr B could afford the loans. The good repayment records, the gaps in the lending and the early repayments do not demonstrate to me that Mr B was reliant on the credit, or that the approval of the loans was harmful to him or that he could not repay them sustainably.

If there was a default on Mr B's record (yet I do not know the date of that default – it may have post-dated the lending) then one default on a person's record is not usually a reason for a lender such as Moses not to lend. So, I doubt it would have made much of a difference.

I do think that by the time Mr B was applying for loan 5 when loan 4 was still outstanding, that Moses ought to have carried out some more checks to find out a little more about Mr B's financial situation. And I do not think that it did that.

But, I have nothing substantive from Mr B to show me what his financial position was in December 2017 for me to be able to assess what Moses might have discovered if it had done more. The evidence I do have are the contemporaneous records of Mr B's income and expenditure which shows me that Mr B could afford the repayments easily.

Mr B has time to send me additional evidence if he wishes and as he is represented professionally no doubt he can be guided as to what to send.

On current evidence I plan not to uphold Mr B'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 Mr B's representative and Moses have replied to say that they have nothing further to add to my findings as set out in the provisional decision.

In the circumstances I see no reason to depart from those provisional findings. They are repeated here and form part of the final decision. As nothing new has been provided, I still don't think Morse was wrong to have approved any of the loans based on the information that I have available.

### **My final decision**

My final decision is that I do not uphold Mr B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 9 February 2023.

Rachael Williams  
**Ombudsman**