

The complaint

Ms B, through her representative, complains that Morses Club PLC lent to her irresponsibly. Ms B says that Morses did not properly undertake affordability checks when granting the credit and did not pick up on signs of her over indebtedness.

What happened

Ms B was approved for four loans and here is a brief table of the loans approved.

Loan	Start Date	Capital Amount	Term in weeks	Repayment amount each week	Still Live
1	01/12/2017	£250.00	33	£12.50	No
2	04/07/2018	£500.00	52	£17.50	No
3	04/06/2019	£500.00	52	£17.50	No
4	18/05/2020	£800.00	53	£28.00	Yes

Each loan appears to have been refinanced into the next. Loan 4 remains outstanding.

After Ms B's representative had complained to Morses, it responded with its final response letter (FRL) in which it explained why it did not uphold her complaint.

Ms B referred it to the Financial Ombudsman Service and one of our adjudicators thought that the pattern of lending was repetitive and by June 2019 when Ms B applied for loan 3 Morses ought to have realised and ceased lending.

Morses did not agree and gave a series of reasons as to why – all of which I have read.

The unresolved complaint was passed to me to decide. On 4 January 2023 I issued a provisional decision in which I gave reasons why I did not agree that Morses ought to have ceased lending at loan 3, and invited Ms B to send to us more evidence about her financial situation from June 2019 onwards (for loans 3 and 4). The reply date was 18 January 2023.

Morses has not replied. Ms B has responded through her professional representative and I will address that later in the decision.

What follows is a duplicate of my provisional decision so that the parties have easy reference to it. Its in smaller type to differentiate it.

My provisional decision dated 4 January 2023.

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 B 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. With this in mind, 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. This was our adjudicator's view from loan 3 in relation to Ms B.

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.

I've provisionally decided not to uphold Ms B's complaint due to lack of evidence about Ms B's financial circumstances, and I have explained why below.

Ms B didn't disagree with our adjudicator's opinion about loans 1 and 2. Because of this I don't think there is any ongoing disagreement about these loans. So, I won't be making a decision about this lending. But they were part of the borrowing relationship Ms B had with Morses. So, they are something I will take into account when considering the other loans she took.

I am issuing a provisional decision to give Ms B time to send to me additional information (if she wishes to) about her financial circumstances for the period covering the loans she applied for in June 2019 onwards (loans 3 onwards). And I say this because of the information I have from Morses including screenshots in which Ms B had declared to the Morses agent that she paid no bills, lived with her parents and on another occasion (May 2020) that she worked in a particular capacity and had no indication that would be changing in the future.

In the absence of any information relating to Ms B's income and expenditure then I have relied on the contemporaneous records made when she applied for the loans. Those records demonstrate that Ms B was able to afford the loan repayments.

I have reviewed the credit search results Morses carried out before approving loan one and in my view they did not reveal much to give Morses concern, considering it is a loan company which is used to lending to persons with some adverse information on their credit files.

Ms B had a relatively low total amount of debt – around £880 – and although I did see that she had three defaults they were not for large sums and one was within 24 months and the other two were within 36 months of her first loan application. And so, these defaulted accounts were not recent and not likely to have raised a concern with Morses such that it needed to investigate further.

Having said that, I am aware that Ms B refinanced her loans into the next one each time and that when she was applying for loan 4 in May 2020 it was for a lot more money - £800. Plus, it was in the middle of the National Covid 19 Pandemic and Ms B's occupation was one which would or could have been seriously affected by that. Ms B was applying for £800 at loan 4. And it had been £500 at loan 3.

And so, I do think that by loan 4 Morse ought to have been carrying out some further checks before lending, but without any information from Ms B for me to be able to check what Morse may have seen had it carried out further checks, then I must use the evidence I have.

I do not think that when Ms B was living at home with parents and not paying bills that it was likely she was unable to afford the loans on the current declared income and expenditure figures I have been provided with. And I do not consider that Morse had evidence at loan 3 to be able to conclude that Ms B was unable to afford the repayments sustainably or that the repayments were causing her harm. I disagree with the adjudicator on that on current evidence. I plan not to uphold Ms B's complaint on current evidence.

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.

Morse has not replied. Ms B has responded to say as follows:

'I so not agree with this as I lost my job when I had the last loan given me also being pressured by Morse's to constantly renew my loans even when I didn't want to'

However, Ms B has not sent to us anything further to substantiate her claim or to demonstrate to me her financial situation from June 2019 as I suggested in my provisional decision. Ms B is represented and so advice on what to send was available to her.

So, without anything new to review my provisional findings remain the same. I think that when Ms B was living at home with parents and not paying bills that it was likely she was able to afford the loans on the current declared income and expenditure figures I have been provided with.

And I do not consider that Morse had evidence at loan 3 to be able to conclude that Ms B was unable to afford the repayments sustainably or that the repayments were causing her harm.

Ms B has raised that she felt '*pressured*' to take out the loans but I have no evidence on the information I have from Morse and no evidence from Ms B to be able to review that. So, I am not able to take that point further.

I do not uphold Ms B's complaint.

I note that the account is still open and unpaid – according to information provided to me for the complaint. I remind Morse to approach Miss B and her debt with consideration.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms B to accept or reject my decision before 16 February 2023.

Rachael Williams
Ombudsman