

## The complaint

Ms B, through her representative, complains that Morses Club PLC lent to her irresponsibly.

## What happened

Ms B's representative has informed us that she took seven loans with Morses.

Morses in its final response letter (FRL) following Ms B's complaint which started in February 2022 has provided us with a loan table which has seven loans listed. That FRL was dated April 2022. The loan table is duplicated below. And in later correspondence with us Morses has explained that it has no information on loans 1 to 9 or loan 11 which likely were sold to Ms B by a company I'll refer to as SFS.

Morses has explained that loans 10 and 12 in the loan table below were SFS loans and it has taken responsibility for them but has limited information – meaning it has no information about any of Ms B's income and expenditure details. Loans 13 to 17 were sold by Morses.

Our adjudicator has noted that there was a significant gap in the lending after loan 14.

Loan	Start Date	End Date	Capital Amount	Interest amount	Term in weeks	Repayment amount each week	Weeks Live
10	08/08/2013	08/08/2014	£200.00	£150.00	50	£7.00	52
12	29/01/2014	23/10/2014	£200.00	£120.00	32	£10.00	38
13	23/10/2014	01/05/2015	£250.00	£175.00	34	£12.50	27
14	01/05/2015	19/08/2016	£250.00	£175.00	34	£12.50	68
15	23/05/2017	22/12/2017	£200.00	£130.00	33	£10.00	30
16	24/10/2017	29/06/2018	£300.00	£195.00	33	£15.00	35
17	29/06/2018	10/10/2019	£300.00	£195.00	33	£15.00	67

After the complaint had been rejected by Morses in its FRL dated April 2022, Ms B raised a further complaint relating to an allegation of fraud. She said that some of the loans had been applied for and taken by a third party. Ms B was not able to identify which loans she was making that complaint about. A separate complaint was set up about that specific allegation and Ms B's representatives on this complaint were not representing her on that other complaint relating to the fraud allegation.

That other complaint closed recently as Ms B did not send to us a signed complaint form and sent to us no evidence to tell us about the complaint.

I have set this out here as I wish both parties to be clear that the alleged fraud element has not proceeded to any resolution and has closed. It is not a part of this complaint.

In November 2022 one of our adjudicators considered this complaint about irresponsible lending. He did not have enough evidence from either party to come to any view on

loans 1 to 9 and loan 11. So, he considered loan 10 and loans 12 to 17 only. His view was that Moses ought not to have lent to Ms B in relation to loan 14.

Moses disagreed and so the unresolved complaint has been 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 irresponsible lending - including all of the relevant rules, guidance and good industry practice - on our website.

Moses 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 consider several 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 Moses 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. Our adjudicator applied this to the first lending chain for Ms B and thought that it applied to loan 14.

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 decided to uphold Ms B's complaint in part and have explained why below.

Ms B didn't disagree with our adjudicator's opinion and so the loans which resulted in a non-uphold outcome I think have been resolved. So, I won't be making a decision about this lending. But they were part of the borrowing relationship Ms B had with Moses. So, they are something I will take into account when considering the other loans she took.

And since our adjudicator's view, Ms B has sent to us no other information about her financial situation from August 2013 onwards. I realise that can be quite difficult as it was almost a decade ago. So, I have had to assess the complaint on the evidence I have from Morses which, as has already been explained is slim.

I haven't recreated individual, proportionate affordability checks for loan 14 because I don't think that it is necessary to do so. I've looked at the overall pattern of Morses' lending history with Ms B, with a view to seeing if there was a point at which Morses should reasonably have seen that further lending was unsustainable, or otherwise harmful. And so Morses should have realised that it shouldn't have provided any further loans.

Given the circumstances of Ms B's case, I think that this point was reached by loan 14. I say this because:

- At this point she had been indebted to Morses for several years and the records Morses had in or around 2013 likely would have shown that Ms B had been regularly taking loans from SFS (the predecessor company purchased by Morses) for years
- Ms B's loan 10 was for £200 and loan 14 was for £250, so there had been an increase in the lending.
- At this point Morses ought to have known that Ms B was likely borrowing to meet an ongoing and increasing need. And this indicates his problems may have been worsening.
- So, because of these factors, Morses ought to have realised it was more likely than not Ms B's indebtedness was unsustainable.

I appreciate that Morses feels that the checks it did were enough to show the lending was affordable. But I think the lending pattern itself shows the loans weren't sustainable. I think that Ms B lost out because Morses continued to provide borrowing at loan 14 because:

- it had the effect of unfairly prolonging Ms B's indebtedness by allowing her to take expensive credit over an extended period.
- the length of time over which Ms B borrowed was likely to have had negative implications on her ability to access mainstream credit and so kept her in the market for these high-cost loans.

So, overall, I'm also upholding the complaint about loan 14 and Morses should put things right.

### **Putting things right**

In deciding what redress Morses should fairly pay in this case I've thought about what might have happened had it stopped lending to Ms B at loan 14, as I'm satisfied it ought to have. Clearly there are a great many possible, and all hypothetical, answers to that question.

For example, having been declined this lending Ms B may have simply left matters there, not attempting to obtain the funds from elsewhere – particularly as a relationship existed between her and this particular lender which they may not have had with others. 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 B 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 B 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.

Morses shouldn't have given Ms B loan 14. Although there is an outstanding sum on the last loan I understand its with a debt collector and is one of the loans I have decided not to uphold as part of this complaint. And so, I say no more about it.

For the redress for loan 14, Morses should do as follows:

- A. Morses should add together the total of the repayments made by Ms B towards interest, fees and charges on loan 14 including payments made to a third party where applicable, but not including anything Morses has already refunded.
- B. Morses should calculate 8% simple interest\* on the individual payments made by Ms B which were considered as part of "A", calculated from the date Ms B originally made the payments, to the date the complaint is settled.
- C. Morses should pay Ms B the total of "A" plus "B".
- D. The overall pattern of Ms B's borrowing for loan 14 means any information recorded about it is adverse, so Morses should remove it entirely from Ms B's credit file if it still shows on there.

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

### **My final decision**

My final decision is that I uphold Ms B's complaint in part 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 B to accept or reject my decision before 21 February 2023.

Rachael Williams  
**Ombudsman**