

The complaint

Mrs W complains that Morses Club PLC (Morses) didn't carry out proportionate affordability checks before it granted her loans. Mrs W says she kept taking out loans to repay previous borrowing.

What happened

Mrs W was advanced a total of 14 home collected loans. However, Morses only has information about loans 12 – 14. I've included some of the information we've received about these loans in the table below.

loan number	loan amount	agreement date	repayment date	number of instalments	weekly repayment
12	£400.00	06/12/2011	15/07/2015	78	£10.00
13	£300.00	20/12/2011	22/12/2015	50	£10.50
14	£400.00	14/02/2012	05/10/2016	78	£10.00

The weekly repayment column is the cost per week per loan so where loans overlapped the cost will be greater. For example, when loans 12 - 14 overlapped Mrs W's commitment to Morses was £30.50 per week.

Following Mrs W's complaint Morses wrote to her to explain that it wasn't going to uphold it. Mrs W didn't agree and referred the complaint to the Financial Ombudsman Service.

The adjudicator considered the complaint and didn't uphold it. She believed a reasonable decision was made by Morses to provide loans 12 and 13. She did say thought that by loan 14, Morses ought to have verified Mrs W's financial information. However, this loan couldn't be upheld because the adjudicator hadn't seen anything to showed what Morses may have seen had it made better checks.

Mrs W didn't agree with the outcome, she explained she doesn't have her bank statements from the time because she had to change her account. Mrs W said "*... I was severely struggling yet they still gave out loans*"

Morses didn't respond to or acknowledge the adjudicator's assessment.

The case was then passed to an ombudsman to make a decision about the 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.

We've set out our general approach to complaints about this type of lending - including all the relevant rules, guidance and good industry practice - on our website.

Morses had to assess the lending to check if Mrs W 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've taken into account a number of different things, such as how much was being lent, the size of the repayments, and Mrs W's income and expenditure.

With this in mind, 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 Mrs W. These factors include:

- Mrs W 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);
- Mrs W 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);
- Mrs W 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 Mrs W.

Morses was required to establish whether Mrs W could *sustainably* repay the loans – not just whether she technically had enough money to make her repayments. Having enough money to make the repayments could of course be an indicator that Mrs W was able to repay her 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 in particular, 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 Mrs W's complaint.

Based on Morses statement of account, I'm confident in saying that Mrs W had 11 more loans. However, these can't be considered as part of this decision. All of these earlier loans were likely granted by another company who I refer to as Company A.

Morses purchased the outstanding loan book of Company A in March 2014. This means, that any loans that Company A granted but hadn't yet been repaid were sold to Morses and it then took responsibility for collecting the payments and responsibility for the lending decisions that were made by Company A.

In this case, it's likely, that loans 1 – 11 were sold and repaid to Company A before March 2014, this means Morses isn't responsible for the sale of those loans and means Morses wouldn't have any information about them. In addition, Mrs W hasn't been able to provide any information or evidence about loans 1 – 11. So, I can't say that Morses ought to be responsible for any further loans either.

Therefore, in this decision, I can only consider the loans which are detailed in the loan table at the start of this decision because these, as far as we are aware are the ones Morses are responsible for.

Loans 12 and 13

The adjudicator didn't uphold these loans. It is likely, that at the time these loans were approved Morses asked Mrs W for information about her income and expenditure, and this would've been used as part of the affordability assessment.

However, Morses doesn't have details of the information Mrs W likely declared. This is most likely as a result of the time that has elapsed since the loans were approved. It is over 10 years ago now, so it's not unreasonable that this information is no longer available.

In addition, Mrs W hasn't been able to provide any information about her financial position at the time. Given, neither party is able to provide anything to show what Mrs W's income and expenditure was, I can't fairly make a finding that Morses was wrong to have approved these loans.

I do not uphold Mrs W's complaint about these loans.

Loans 14

For this loan, the adjudicator thought Morses ought to have carried out further checks – but as she didn't have anything from Mrs W about her actual financial position at the time, she wasn't able to uphold the complaint about this loan. I've thought about everything that has been said and I do think further checks needed to have been carried out before the loan was approved and I've explained why below.

Again, for this loan Morses likely asked Mrs W for details of her income and expenditure, but for the same reasons as loans 12 and 13, likely due to the passage of time, Morses no longer has the information that Mrs W likely gave. So, I can't be sure, whether this information showed Morses Mrs W was in a position to afford her repayments.

But Mrs W had taken out three loans in a little over three months, she hadn't repaid loans 12 and 13, and her weekly commitment had more than tripled to £30.50. These factors ought to have prompted Morses to consider whether it knew enough about Mrs W's actual financial position.

I therefore think it would've been reasonable for Morses to have carried out further checks to have verified the information Mrs W likely provided about her income and expenditure. This could've been done in several ways, such as asking for evidence of her outgoings, or looking at bank statements and/or Mrs W's full credit file or any other documentation Mrs W could've provided.

However, that isn't the end of the matter. For me to be able to uphold the loan, I have to be satisfied that had Morses carried out what I consider to be a proportionate check it would've likely discovered that Mrs W couldn't afford the loan.

Mrs W has told us she can't obtain the bank statements, because the account she was using at the time is now closed. Unfortunately, without these statements, or any other documentation, I'm not able to conclude that further checks would've likely shown Morses the loan was unaffordable.

As this is the case, while proportionate checks weren't carried out before this loan was approved, I can't conclude Morses made an error by approving it. I therefore don't uphold the complaint about this loan.

Therefore, I do not uphold the complaint about any of the loans that the Financial Ombudsman can consider.

My final decision

For the reasons I've explained above, I'm not upholding Mrs W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 14 February 2023.

Robert Walker
Ombudsman