

## The complaint

Miss F, through a representative complains that Morses Club PLC (Morses) didn't carry out proportionate affordability checks before it granted her loans.

## What happened

Miss F was advanced five home collected loans and I've included some of the information we've received about them in the table below.

loan number	loan amount	agreement date	repayment date	number of instalments	highest repayment
1	£100.00	15/08/2014	20/03/2015	34	£5.00
2	£10.00	19/11/2014	19/11/2014	34	£0.50
3	£200.00	19/11/2014	13/05/2015	34	£10.00
4	£200.00	20/03/2015	30/09/2016	34	£10.00
5	£200.00	13/05/2015	outstanding	34	£10.00

Miss F has had some problems with her final loan, and as of October 2022, Morses has said she still owes £129.

Following Miss F's complaint, Morses wrote to her representative to explain that it wasn't going to uphold it. Miss F's representative then referred the complaint to the Financial Ombudsman Service.

An adjudicator reviewed the complaint. She thought Morses had made a reasonable decision to provide loans 1 – 3 and so she didn't uphold Miss F's complaint about them. But due to the passage of time, Morses didn't have any information or details of the likely income and expenditure information it gathered.

But the adjudicator concluded when loans 4 and 5 were given to Miss F, taking into account loan 1 had just been repaid and loan 3 was still outstanding Morses needed to have gone further with its checks, perhaps verifying the information Miss F provided it. But Miss F's representative hadn't provided copies of her bank statements or a copy of her credit file and so she couldn't say what Morses may have seen by carrying out better checks.

Miss F through her representative said she wanted an ombudsman to review the complaint. She also said:

*"I am unable to access the bank statements for the old bank account. I do not have any log in details for the online banking, I do not know any of the old account details so unfortunately I can't get hold of the old bank statements."*

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 Miss F 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 Miss F'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 Miss F. These factors include:

- Miss F 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);
- Miss F 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);
- Miss F 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 Miss F. The adjudicator thought this didn't apply to Miss F's complaint.

Morses was required to establish whether Miss F 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 Miss F 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 Miss F's complaint.

## Loans 1 – 3

It is likely that as part of Miss F's loan applications Morses would've taken details of her income and expenditure. However, the information Morses likely collected about Miss F's income and expenditure information isn't available – and Morses has suggested this is because “...it is unable to locate the information...” The information is unlikely to be available due to the passage of time since these loans were advanced and that isn't surprising.

Morses also confirmed it doesn't hold any credit check results for Miss F. This may be because a credit check was carried out and it no longer has the data – due to the passage of time. Or one wasn't carried out at all. Miss F also hasn't provided a copy of her credit file. So, I've proceeded to review the complaint without this information.

I've also considered, how these loans were repaid, and there wasn't anything in the repayment history that ought to have prompted Morses to have carried out further checks at this time or have led it to decline a later loan.

So, due to a lack of information – from either party, given the term of the loan and the checks that Morses likely carried out – albeit we don't have the results, it is likely, on balance, that Miss F provided information to Morses to enable it to satisfy itself that Miss F could afford these loan repayments.

I am therefore not upholding Miss F's complaint about these loans.

### **Loans 4 and 5**

Morses would've likely asked Miss F for her income and expenditure when these two loans were approved. But as above, no information has been provided from Morses about what Miss F may or may not have declared. So, I don't and can't know what information she gave.

But like the adjudicator I do agree at this point, for these two loans further checks ought to have been carried out in order to build a more detailed picture of Miss F's financial position. By loan 4, Miss F had been indebted to Morses for around seven months and her borrowing had started to increase. Loan 4 was double the value of loan 1 and due to the outstanding commitment Miss F had for loan 3, her weekly commitment were now four times as large. In addition, loan 4 was taken on the same day that loan 1 was repaid.

So, I don't think the checks before approving loans 4 and 5 went far enough. Given the factors I've mentioned above, I think Morses needed to gain a full understanding of Miss F's actual financial position to ensure these loans were affordable and sustainable.

This could've been done in several ways, such as asking for evidence of her outgoings, looking at bank statements and/or collecting any other documentation Morses felt it needed to obtain in order to have satisfied itself these loans were affordable for Miss F.

However, that isn't the end of the matter. For me to be able to uphold loans 4 and 5, I have to be satisfied that had Morses carried out what I consider to be a proportionate check it would've likely discovered that Miss F couldn't afford the loans, or Morses was given some other evidence which indicated the loans were unsustainable in some other way.

Miss F has told her representative she can't access or obtain details of her bank statements from the period of time when these loans were granted. And without anything further, I can't be sure what Morses may have seen had it carried out better checks. So, I can't fairly uphold the complaint about loans 4 or 5 either.

I am therefore not upholding Miss F's complaint.

### **My final decision**

For the reasons I've explained above I do not uphold Miss F's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss F to accept or reject my decision before 30 June 2023.

Robert Walker  
**Ombudsman**