

The complaint

Ms W through her representative, complains that Morses Club PLC approved several home-credit loans for her and by doing that it lent to her irresponsibly.

What happened

Using the information I have from Morses, here is a brief loan table. Morses told us that Ms W still owed a balance to debt collectors for loan 5. So, the May 2019 closure date for loan 5 may refer to the date it was passed to that debt collector.

Loan	Start Date	End Date	Capital Amount	Interest amount	Repayment amount weekly
1	02/11/2016	10/05/2017	£300.00	£195.00	£15.00
2	10/05/2017	29/11/2017	£400.00	£260.00	£20.00
3	06/12/2017	20/03/2018	£500.00	£325.00	£25.00
4	10/01/2018	20/03/2018	£300.00	£195.00	£15.00
Gap in lending					
5	03/08/2018	08/05/2019	£800.00	£520.00	£40.00

After Ms W had complained, the final response letter (FRL) from Morses was issued and gave reasons why it did not consider it had lent irresponsibly.

Ms W's representative referred it to the Financial Ombudsman Service where one of our adjudicators considered the complaint. At first his view was that Morses had approved loans 1 to 4 responsibly but not loan 5. After Morses had made various submissions, which included details about how Ms W had obtained some cash to repay loan 4 early, then he changed his view. He decided that Morses had not lent irresponsibly.

Ms W had agreed with the adjudicator's first view and not with the second. And so, the unresolved complaint was passed to me to decide.

On 8 June 2023 I issued a provisional decision and that is duplicated in the next section, but in smaller type, to differentiate it.

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 Ms 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 Ms W'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 Ms W. These factors include:

- Ms 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);
- Ms 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);
- Ms 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 Ms W. Initially the adjudicator thought this applied in Ms W's complaint in relation to loan 5 only. But then he altered his view because of the gap in the lending between loans 4 and 5, and because Ms W had appeared to be able to repay loan 4 early which gave no indication of her being reliant on these loans.

Morses was required to establish whether Ms 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 Ms 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, 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.

My provisional decision findings dated 8 June 2023.

I've considered all the arguments, evidence and information provided in this context, and thought about what this means for Ms W's complaint.

Having looked at the complaint afresh, then my view is that Morses ought to have carried out a full financial review on Ms W's circumstances and situation from loan 1. And I say that because the credit search it carried out in October 2016 (before loan 1) revealed that she had a County Court Judgment (CCJ) from just ten months earlier. And for a creditor to have got to the stage where it needed to go to Court for a Judgment against Ms W, then that must have been a long term debt.

Added to which, the credit search revealed that Ms W had five delinquent accounts and one which had entered default status relatively recently. Ms W had declared to Morses relatively good income and her expenditure sums (as declared) did seem to indicate that she could afford the loans Morses approved for her. Here is a duplicate of the information Morses has sent to us about her income and her expenditure.

Loan	INCOME	EXPENDITURE	DISPOSABLE INCOME
1	£358.00	£210.00	£148.00
2	£431.00	£348.00	£83.00
3	£455.00	£331.00	£124.00
4	£435.00	£312.00	£123.00
5	£671.19	£385.00	£286.19

I consider that the CCJ plus the delinquencies ought to have prompted Morses to have obtained more information and not simply relied on the information Ms W had given it. Its own research had revealed adverse entries on her credit file but even with its propensity to offer to customers with poor credit records, still I think it ought to have checked the situation more thoroughly. And I don't think Morses did that.

Having said all that, I can't proceed to make an assessment on the information Morses may have discovered if it had done more thorough checks from loan 1. And that is because Ms W's financial situation is not known to me.

And so, I am issuing a provisional decision, indicating that on current evidence I can only proceed on the information that Morses recorded when Ms W was applying for the loans. And on that evidence the loans looked affordable. But this provisional decision will give Ms W and her representative time to send to me additional information about her finances covering all or some of the lending relationship period, if they want to. So, on current evidence I plan not to uphold the complaint but I will review it in two weeks on 22 June 2023.

How did the parties respond?

Morses has not responded. Ms W's representative did tell us that Ms W planned to send to us the copy bank statements to cover the lending relationship. I gave an extension of time for this to be done until 7 July 2023. Recently we have been informed that Ms W's representative has had no documentation from Ms W and so it knows we will have to proceed to issue a final decision without it. In the circumstances, I have nothing to alter my view from my provisional findings. I do not uphold Ms W's complaint.

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 W to accept or reject my decision before 9 August 2023.

Rachael Williams
Ombudsman