

The complaint

Miss H (formerly Ms R) complains that Morses Club PLC lent to her irresponsibly. Miss H also complains about Morses' complaint handling.

What happened

Morses has supplied nothing about the loans. It has said it has no records for Miss H. Miss H has sent to us copies of her credit report in which five loans are recorded. Using that information, I have created a loan table but it has limited information.

Loan	Start date on the credit file	Amount on the credit file which include the interest – total to pay	Repaid over unknown months on the credit file	Arrears records from credit file	End dates
1	23 May 2013	£1,750	12 months	Arrears record '1' in 6 months until end.	24 April 2014
2	25 Oct 2013	£1,020	9 months	'1' in months 4 to 6 inclusive	19 June 2014
3	24 April 2014	£1,750	16 months	'1' in months 4,6,9 & 10, '2' in months 11 & 12 – then '1' for the remainder.	6 July 2015
4	19 June 2014	£1,020	8 months	'1' in month 7	15 January 2015
5	15 January 2015	£990	13 months	'4' in months 7 and 8 and arrears either side	30 December 2015

Often the Morses contracts are 34 weeks or 52 weeks long and it seems that the loans Miss H took were a combination of those.

The credit file from Miss H (not the information Morses may have had in 2013/2014/2015) shows that Mrs H had arrears and I have included that information on the loan table.

Miss H has said she's unhappy with the delay and the lack of response in relation to handling of her complaint and so I have looked at that element as well – see later in the provisional decision.

Miss H first complained to Morses in March 2022 and records sent to us by Morses shows it received the complaint on 29 March 2022. It issued Miss H with an acknowledgement letter on 5 April 2022 and after that, very little. On 12 April 2022 Miss H sent to Morses copies of her credit file – the same ones she has sent to us – showing the five loans from 2013.

The subsequent letters sent to Miss H were not formal final response letters and contained no referral rights to the Financial Ombudsman Service. A recent one in October 2022 said that as six years had passed since the loans were approved it had no records and it did not need to investigate what had happened. And it considered that the 'three year rule' applied to this complaint – meaning it believed Miss H would have been aware whilst the loans were running that the lending was unaffordable and that Miss H would have had ample time to review the documentation should she have disagreed with any point of the sales process. So Moses says she should have complained earlier.

And it also said in a follow-up email

'I appreciate you have provided us with evidence of the loans on your credit file but unless you can provide us with the full documentation of application and agreement this doesn't provide us with enough information to be able to fully investigate your concerns.'

Miss H did refer the complaint to the Financial Ombudsman Service in October 2022 and sent to us her January 2020 credit file report which did show the Moses loans. Miss H has explained that she has had a change in status, and in February 2018 she changed her name to Miss H. She has sent to us the Deed to show this. Miss H has explained that in March 2022 when she first commenced the complaint she had sent the same documentation to show all this to Moses. Miss H said she would try to obtain copies of emails and her bank account statements but so far these have not been received from her.

We started the investigation with Moses. It had searched its records in March 2022 on 'Miss H'. Our adjudicator asked it to search on Miss H and Ms R and her old address postcode. It did and said still it had no records.

Our adjudicator did create a loan table from the information Miss H had sent to us and did issue a view. First, she did a brief view on the jurisdiction surrounding the timing of the bringing of the complaint. And she felt that we could look at the loan complaint.

Moses did not respond on that part and the Financial Ombudsman assumed Moses was content for us to investigate the merits of the complaint.

Our adjudicator also considered that she needed additional information surrounding the loan terms, the repayments and the interest applied to be able to assess properly the irresponsible lending complaint. So, her view was that she was unable to determine it. And she felt that it would be unfair to conclude that Moses Club shouldn't have given Miss H the loans. But our adjudicator did not address the point made by Ms H that she was complaining about the Moses' complaint handling.

Miss H disagreed and made further submissions surrounding the repayments being a significant proportion of her income. Our adjudicator issued a second view in which she said that she could not fairly say that the repayment represented a significant proportion of Miss H's income.

The unresolved complaint was passed to me to decide. I issued a provisional decision on 16 June 2023 giving reasons why I was planning not to uphold the complaints. It had a reply deadline of 30 June 2023.

Neither party has responded. Our adjudicator has tried to call Miss H and has emailed her to explain that the deadline had passed. We have had no response.

Considering the nature of the circumstances of this complaint – that there are hardly any records – and considering the lack of response it seems fair and reasonable to proceed to conclude the complaint by issuing a final determination.

So, what follows are the reasoning and findings I set out in my provisional decision, in the same terms, which are my final decision findings.

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 H 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 H'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 H. These factors include:

- Miss H 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 H 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 H 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 H.

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

The concern here is that we have no records at all from Morses.

Miss H has sent to us her personal credit file dated January 2020 and copies of her payslips and I've compiled the information into a table here for ease of reading.

Date of payslip	Net pay (rounded)	Relevant to loan
31 May 2013	£1,092	1

31 October 2013	£1,097	2 possibly 3
30 April 2014	£1,112	3 and 4
31 October 2014	£1,090	
30 November 2014	£1,090	
31 December 2014	£1,122	5
31 January 2015	£1,108	

Miss H has augmented her complaint by saying to us that the salary information she has provided likely was what she would have declared to Morses at the time she applied for the loans. And she said that these represented a '*significant proportion of my income*' and so there was a significant risk she would not have been able to meet her existing commitments without having to borrow again. '*So, I think it's unlikely I would've been able to sustainably meet all my monthly repayments for these loans and other commitments.*'

I've thought about this. I have no accurate figures about what Miss H may have been paying for these loans weekly. And even if – for instance – the larger loan 1 for £1,750 included the interest element as well, over 12 months (52 weeks) that translates to about £33 a week. Her salary at £1,092 calculated as weekly salary was £252. And so, I do not consider that £33 a week would have been a large proportion of her salary. It would have been about 13%.

I note that there was some overlap of the loans. I note that some loans were taken out on the same day that others were paid off, which is not an unusual pattern in home credit lending relationships.

According to Miss H's credit file, she had a mortgage until December 2018 which was £1,162 each month which started in 2006. It seems that Miss H had a financial association with a third party and so it's feasible that Miss H split that cost. Or it may be that the other party paid a proportion of it. I've no information on this and I'm not wanting to guess. Since explaining this in my provisional decision Miss H has not sent us anything to clarify this.

Using Miss H's credit file dated 2020 then the records show that Miss H had other outstanding loans. And although I have no real details and it's difficult to piece them all together, I have been able to see that she had these in the following list. Anything after 15 January 2015 – the Morses loan 5 – I have not included (or if here on the list will be ignored) as they would have been taken by Miss H after that last loan was approved by Morses and so irrelevant for the purposes of this complaint. The list I have managed to create is:

- an instalment loan – Miss H took £750 on 2 December 2014 (repaid 13 February 2015),
- Miss H also had five instalment loans from December 2014 to November 2016 ranging from £93 to £450.
- Miss H had three payday loans taken 31 December 2013, 31 January 2014, and 28 February 2014. The third one closed in July 2014. Each were about £260. Miss H had another loan of this kind in February 2014 settled 2 weeks later.
- Miss H had a 'consolidated debt account' with a bank which ran from February 2008 to settlement in July 2016.
- Miss H had several other home credit loans with a different provider from 5 December 2014 to June 2016. These were about £75 each month.
- Miss H had four other high-cost instalment loans taken October 2013 and May 2014, October 2014, and December 2014 the last one being settled December 2015. Miss H's credit file shows persistent arrears on the two later of these
- Miss H had two credit cards settled August 2016 and both had credit limits of £200 which I'd consider modest limits.

So overall I'd consider that any credit search that Morses may have carried out may have shown some, or all, of these loans. But I need to stress to Miss H that there was no regulatory requirement to obtain a credit search in the period she took the loans from Morses or since then. And not all of them would have shown up on any Morses search it may have done as each credit reference agency picks up different credit accounts.

Plus, a lender such as Morses is not likely to decline loan applications solely due to adverse credit entries as it's a lender used to dealing with customers who may have some adverse entries on their credit files. Miss H's credit file from 2020 – which would have covered the period to 2014 at least - shows no signs of insolvency or any County Court Judgments. Some do have arrears entered against the accounts, but that is not always likely to lead a lender to decline loans.

Having considered it all, and in fairness to Morses who has nothing with which to defend the complaint, apart from the credit file I've nothing to show me what Miss H's financial situation was in December 2014 and January 2015. Miss H has sent nothing further to us.

So, I do not uphold the complaint. And I have factored into this complaint assessment that Morses is at a disadvantage.

Complaint handling

Miss H has said she's unhappy with the delay and the lack of response in relation to handling of her complaint and so I have looked at that element as well. I outlined some of the detail in the 'what happened' part of this provisional decision.

Miss H did refer it to the Financial Ombudsman Service in October 2022.

My view is that Morses' complaint handling for Miss H has been poor. The records I have appear to show that after May 2022 it ceased looking into his complaint. Yet it had acknowledged that it would investigate fully in April 2022. Miss H has had to try to follow up on it and she says it has been a concern of hers that her complaint had been met with silence.

I note that Miss H had sent, right at the beginning, to Morses her credit file and her change of name by Deed plus details of the addresses likely relevant to Morses. And so, she had anticipated that as it was almost a decade ago since she'd taken the first loan then Morses would need as much information as she could send to it to assist with its investigation. Still, that did not appear to assist.

Whilst I can see that not retaining records for all these years may not be unreasonable, for the purposes of the complaint I think that after eight weeks Morses could have, and I think should have, issued a formal 'eight week letter' giving referral rights to the Financial Ombudsman Service. We can look at complaints after the regulated lender has had it for eight weeks. Miss H could have come to us early June 2022 – instead it was October 2022. The unnecessary delay was poor.

But I have considered the difficulties that Morses has had in not being able to find any information in its own records about Miss H's loans. And so, on balance, I do not consider that I can justifiably say that Morses did anything wrong other than fail to send the 'post-eight week letter'.

And I've no indication from Miss H that there were any other consequences to the delay other than coming to us later than she possibly could have done. And even if a formal 'eight week' letter had been issued, referral rights would have given Miss H six months to refer it to us. And so, the October 2022 referral date may have ended up being the same whether or not she got the eight week letter from Morses.

So, I do not think that compensation is due but I do accept Miss H's point about this part.

My final decision

My decision is that I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 4 August 2023.

Rachael Williams
Ombudsman