

## The complaint

Miss A complains that Morses Club PLC (“Morses”) mis-sold her a loan because she wanted to pay monthly but was told initially payments would need to be made weekly. She says she agreed to pay £120 per month. However, she later discovered that paying monthly could lead to payments of up to £150 per month.

Miss A also said her pay frequency was changed to fortnightly, without her consent. Due to this confusion about how much she would need to pay and when, Miss A’s account is currently in arrears.

## What happened

The issues that Miss A has had stems from a loan she was granted for £800 on 26 August 2022. The credit agreement says Miss A would need to repay a total of £1,560 which was £30 per week for 52 weeks. I can see from the statement of account that there have been times when payments haven’t been made, for example there were no payments made between 24 December 2022 until 28 February 2023.

Miss A made a complaint to Morses on 24 January 2023 about how often she was due to make payment and how much she was due to pay per month. On 15 February 2023, Morses sent its final response letter (FRL) on this matter. Morses concluded:

- Miss A was told in August 2022 that if she wanted to make monthly payments it had to correlate to the number of weeks in that month, so monthly payments could range from £120 or £150.
- In January 2023, it was reiterated that monthly payments were an option, but they had to have been made in advanced to prevent the account from going further into arrears.
- At the time of the FRL Miss A – according to the credit agreement -should’ve paid Morses £720 towards the loan. However, by this time Miss A had only repaid £360 – meaning the account was £360 in arrears.

Unhappy with this response Miss A referred the complaint to the Financial Ombudsman and it was then considered by an adjudicator who didn’t uphold the complaint. She said the loan required payments of £30 per week and the call note from Morses at the end of August 2022 did seem to suggest that Miss A may need to pay £150 some months due to the number of weeks that would fall within the payment period.

And while there was now an arrangement to pay £150 per month to help bring the arrears down this arrangement was due to start in January 2023 and not February 2023 as Miss A suggested. Finally, the adjudicator was satisfied that Miss A had missed payments and so the amount of arrears Morses outlined in the FRL was correct.

Miss A was unhappy with the outcome, and I’ve summarised her response below – including the documentation received. In summary she explained:

- Morses is still reporting missed payment markers on her credit file even though she is making overpayments to it.
- Miss A only took the loan out because she was told payments would be £120 per month whereas, payments could be as much as £150. Miss A says she shouldn't have to pay any interest that is due on the balance.
- Miss A then sent in further information which included screen shots of her on-line portal, plus what Morses is recording on her credit file as well as screen shots of text messages between herself and Morses' agent.

The adjudicator called and spoke to Miss A to explain why the extra information she had provided hadn't changed her mind about the outcome.

As no agreement could be reached the case was passed to me for a decision. After which I asked both parties for further information. Morses provided up to date details of the information it is reporting on Miss A's credit file about the loan as well as an updated statement of account to take account of all payments made up to May 2023.

Miss A provided evidence including further copies of text messages between herself and the Morses' agent and a copy of a call recording.

### **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.

Having thought about the all the evidence provided I've decided Miss A's complaint isn't one that can be upheld, and I've explained my reasons for doing so below. To aid the reading of the decisions I've split it up into different sections covering Miss A's complaint.

### **Repayment amount**

Firstly, I have considered what the credit agreement says about the payments. This is important because it is the document that outlines the terms on which Morses lent the money. The credit agreement is clear in saying that Miss A is due to pay £30 per week for 52 weeks.

However, it does seem from the screen shot of the text messages between Miss A and the agent that she was told she'd only have to pay £120 per month, but that isn't what the credit agreement, which she signed said.

And from the contact notes, I can see that on 31 August 2022 it was explained to Miss A that monthly payments can be made, but if there are five weeks in a month she would need to pay more. This is correct, and Miss A was informed of this quickly after taking out the loan.

Indeed, this situation is foreseen in the credit agreement, because as Miss A was due to pay £30 per week, if there were five weeks in a month then that month, she would be expected to pay £150.

Even though Miss A said she thought she needed to pay £120 per month towards the loan there are times when she didn't pay that, for example she only paid £90 in October 2022 and £30 in November 2022. So, even then, Miss A wasn't paying the amount she thought she said she needed to pay.

The adjudicator suggested at this point in time, Miss A could've withdrawn from the credit agreement – as was her right. But she says this wasn't possible as some of the money had

already been spent. But I've thought about what Miss A may have done differently, had the agent not mis-informed her about the monthly payment amount.

In order to do so, I've gone back to the credit agreement, which does say £30 per week, and as such while an error may have been made by the agent, I'm still satisfied that Morses has explained the terms under which the loan was to be repaid. And it has applied those terms and conditions in addition, Morses fairly quickly after the loan was granted, correctly explained the position of monthly payments.

### **Change of payment term**

Miss A says that there was a time when her payments were changed on her online portal to fortnightly. And she has provided a screen shot of her online portal which confirms this. It isn't clear from either the screen shot, or the system notes provided by Morses when this occurred and why it was changed. But this doesn't appear to have been anything Miss A requested.

But even in this screen shot, it still shows the payment amount is £30 per week – which is the amount outlined in the credit agreement. So even though the pay frequency was changed, this wouldn't have had an impact on the total amount Miss A was due to Morses.

So, while, there may have been some confusion as to why the payment frequency had changed – which is understandable, the change in payment frequency didn't alter Miss A's obligation to make payments to Morses.

There is a dispute about the change in payment date to monthly. Morses has provided a copy of its contact notes that say, following a call on 25 January 2023, that the payment frequency was changed to monthly – starting from 28 January 2023. Whereas Miss A says she agreed to pay monthly from 28 February 2023, and this may explain why no payment was made by her in January 2023.

It's worth saying here that around the time the payment frequency was changed to monthly, Miss A has provided a screen shot showing that the agent was sending her messages to remind her that a payment needed to have been made on 23 January 2023. And then when the payment wasn't made as the agent expected, then the agent sent further messages on 24 and 31 January 2023.

And so, even if Morses did agree to change the payment frequency to monthly from February 2023, as Miss A has suggested she still needed to make payment(s) in January 2023 – which she didn't do.

Morses has provided copies of some calls, but the dates Morses says the calls were made on, don't quite match up with the contents of those calls. But, notwithstanding that, from what I've heard it's clear from these calls that Miss A is unhappy because she says she agreed to make payments of £150 from February 2023. Which she has done. But I don't know exactly what was agreed on the call in terms of when the first monthly payment was agreed to be paid – either in January or February 2023.

But regardless of whether monthly payments were agreed to be paid from January or February 2023. By not making any payment in January 2023 (whether Morses agreed to it or not) this would've pushed the account further in to arrears because Miss A's last payment was 23 December 2022.

So, while there clearly is a mismatch between Morses and Miss A as to when the monthly payments of £150 would start. The credit the agreement expected payments to be made,

and if Miss A didn't make payments, then adverse information could be recorded on her credit file, and I've gone on to think about that below.

### **Credit file**

Morses has provided, a copy of the information it says it is reporting to the credit reference agencies up to May 2023.

I can see that the account was first reported as being in arrears in November 2022. This is likely because, payments were missed in September 2022, October 2022 and Miss A only made one payment of £30 in November 2022. This had the impact of increasing the arrears on the account because Miss A wasn't making her contractual payment of £30 per week or the payment of £120 per month which is what Miss A says she was expecting to make at the start.

The arrears in November 2022 showed as a "1" meaning that Miss A had missed sufficient payments to put the account one month in arrears. The arrears remained the same for December, before increasing to a "2" in January 2023 and then increasing again in February 2023 to a "3" where it remained until April 2023 when the arrears dropped to "2".

The arrears increased because Miss A wasn't making her contractual repayments, indeed no payments were made at all in January 2023. And, from the end of February 2023 I can see that Miss A has been paying £150 per month, which for some months will decrease the arrears and this is likely why the arrears being reported by Morses dropped in April 2023.

I appreciate Miss A may not agree with this, because some months she is making overpayments. But the account is still in arrears (even with the overpayments) and Morses is entitled to record that until the arrears (or the loan) has been repaid.

This is in line with the Information Commissioner's Office guidance for lenders on reporting arrears to credit files called "*Principles for the Reporting of Arrears, Arrangements and Defaults at Credit Reference Agencies*". This document is considered good industry practice and so its reasonable to consider what it says.

Principle 2 say "*Should a payment not be made as expected, information to reflect this will be recorded on your credit file*". And part of principle goes on to say:

*Arrears should generally only increase by one month at a time e.g. status code 1 to 2, 2 to 3 etc. There can be exceptions to this such as fraud, bankruptcy, county court judgments (CCJs), returned cheques or direct debits.*

*In the event that repayments are made and the arrears reduce, the change in arrears status should be recorded in the next monthly update.*

Taking account of the above guidance, I'm satisfied Morses is accurately reporting arrears. But also, as those arrears reduce, because Miss A is making overpayments, those arrears will also reduce on her credit file. This has already happened from the information Morses has provided. Finally, as Morses is reporting information in line with the ICO guidance I can't say it has made an error in respect of this.

Overall, having thought about all the parts of Miss A's complaint along with the evidence both sides have provided, I'm not upholding Miss A's complaint. I do appreciate Miss A will be disappointed by this outcome.

**My final decision**

For the reasons I've explained above, I'm not upholding Miss A's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 23 August 2023.

Robert Walker  
**Ombudsman**