

## The complaint

Mr B, through a representative complains that Morses Club PLC (Morses) didn't carry out proportionate affordability checks before it granted his loans. Had it done so, Morses would've realised he couldn't afford them.

## What happened

Mr B 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 weekly repayments	highest repayment per loan
1	£500.00	16/08/2017	29/03/2018	33	£25.00
2	£500.00	22/01/2018	30/08/2018	33	£25.00
3	£500.00	16/01/2019	01/08/2019	33	£25.00
4	£500.00	14/11/2019	29/06/2020	34	£25.00
gap in lending					
5	£400.00	13/04/2021	01/11/2021	35	£20.00

Following Mr B's representative's complaint Morses responded to explain that it wasn't going to uphold the complaint. Mr B's representative didn't accept the outcome and instead referred the complaint to the Financial Ombudsman Service.

An adjudicator reviewed the complaint. He thought Morses had made a reasonable decision to provide loans 1, 2 and 5 so he didn't uphold Mr B's complaint about them.

However, the adjudicator concluded when loans 3 and 4 were given to Mr B that the lending was now harmful taking account of his loan history and his time in debt. So Morses ought to have realised these loans weren't sustainable for him. Loans 3 and 4 were upheld.

Mr B's representative acknowledged the adjudicator's assessment but no further information or comments were provided.

Morses disagreed with the outcome the adjudicator had reached. I've summarised its comments below:

- There were breaks in lending between loans 2 and 3 and loans 3 and 4 and these breaks show Mr B wasn't reliant on the lending.
- Mr B's loan amounts didn't increase in value and so his weekly commitment stayed the same at £25.
- The loans were repaid without undue hardship.
- Mr B's weekly income for loans 3 and 4 was the same and was confirmed by the credit reference agency.
- Mr B had sufficient disposable income to afford the loan repayments.

The case was then passed to an ombudsman. I then issued my provisional decision which explained the reasons why I was intending to not uphold Mr B's complaint. A copy of the provisional findings follows this in italics and forms part of this final decision.

Both parties were asked to provide anything further for consideration as soon as possible, but in any event no later than 6 June 2023.

Morses didn't respond to or acknowledge the provisional decision.

Mr B's representative acknowledged the provisional decision and explained it had been sent to Mr B and it would let us know what he says. To date, no further comments have been received.

The deadline for responses has now passed, and so I see no reason not to proceed to issue the final decision.

### **What I said in my provisional decision:**

*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 Mr B could afford to pay back the amounts he'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 Mr B'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 Mr B. These factors include:*

- *Mr B 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);*
- *Mr B 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);*
- *Mr B 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 Mr B. The adjudicator thought this applied in Mr B's complaint in relation to loans 3 and 4.*

*Morses was required to establish whether Mr B could sustainably repay the loans – not just whether he technically had enough money to make his repayments. Having enough money to make the repayments could of course be an indicator that Mr B was able to repay his 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 Mr B's complaint.*

*Neither Morses nor Mr B (or his representative) appear to disagree with the outcome the adjudicator reached about loans 1, 2 and 5. I therefore no longer think these loans are in dispute. So, I say no more about it. Instead, this decision will focus on whether loans 3 and 4 ought to have been granted.*

#### **Loans 3 and 4**

*I thought about the reason why the adjudicator upheld these two loans and having done so, I don't think Morses ought to have realised the loans were unsustainable for Mr B. He had repaid his loans without undue difficulty; his borrowing wasn't increasing and there were gaps between some of the loans.*

*Although the gaps between loans 2 and 3 and loans 3 and 4 aren't enough for Morses to have reasonably concluded it could start of a new lending chain they are enough to have indicated to Morses that Mr B wasn't reliant on these loans. For example, considering, there was a nearly five-month gap between repaying loan 2 and returning for loan 3. So, I can't agree, that Morses would've believed these loans to be unsustainable for Mr B and therefore have automatically declined them.*

*What I have done is reconsider these loans based on the information Morses had at the time and having done so, I am not upholding these loans and I've explained why below.*

*For both loans Mr B declared an income of £425 per week and Morses said this was verified with a credit reference agency – but it hasn't provided the details of the check or the results. It also said, the income remained similar to what was declared for loans 1 and 2 – where it obtained a copy of Mr B's wage slip – again these haven't been provided.*

*Mr B's outgoings were declared as being £319.08 per week for loan 3. This left, Mr B £105.92 of disposable income to afford the repayment for loan 3 of £25 per week.*

*Based on what I've seen, I think the checks carried out before loan 3 was provided, were likely to be proportionate and these showed Mr B would be able to afford his repayment. So, on current evidence, I am therefore intending to not uphold Mr B's complaint about this loan.*

*For loan 4, Mr B's outgoings have been recorded as being £285 leaving £140 per week in disposable income to afford the weekly repayment of £25. However, by loan 4, I no longer think it was reasonable for Morses to have solely relied on the information that Mr B had provided.*

*I say this because Mr B was again borrowing the same amount over roughly the same period. Indeed, even with the gaps in borrowing, Mr B had already been indebted to Morses for around 20 months.*

*On top of this, while some of his weekly expenditure had increased – such as his rent and utility payments, other aspects of his declared expenditure had dropped. For example, I don't think it was reasonable for Morses to have relied on what Mr B had declared for his weekly food shop at only £10 – this just doesn't seem likely or plausible.*

*So given the factors I've mentioned above, I think it needed to gain a full understanding of Mr B's actual financial position to ensure the loan was affordable for him. This could've been done in several ways, such as asking for evidence of his outgoings, looking at bank statements and/or collecting any other documentation Morses felt it needed to obtain in order to have satisfied itself the loan was affordable for Mr B. This might've helped verify information provided and revealed whether there was any other information that Morses might've needed to consider about Mr B's financial position.*

*However, that isn't the end of the matter. For me to be able to uphold loan 4, I have to be satisfied that had Moses carried out what I consider to be a proportionate check it would've likely discovered that Mr B couldn't afford it, or Moses was given evidence that indicated the loan was unsustainable in some other way.*

*Mr B (or his representative) hasn't provided a copy of his credit file, bank statements or any other documentation covering the period leading up loan 4 being advanced. Without anything further, I can't be sure what Moses may have seen had it carried out better checks. So, I can't fairly uphold the complaint about the 4 either.*

*I'm therefore intending not to uphold Mr B's complaint about loans 3 and 4.*

### **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.

As neither party has provided any new comments or submissions, I see no reason to depart from the findings which were reached in the provisional decision. I still think Moses carried out proportionate checks before loan 3 was granted – which demonstrated that Mr B would likely to be able to afford the repayments he was committed to making.

However, in my view, Moses didn't carry out proportionate checks before loan 4 was granted. But as Mr B hasn't provided any other documentation about his circumstances at the time, I can't conclude Moses would've likely discovered the loan was unaffordable for him. So, like loan 3, I am also not upholding Mr B's complaint about loan 4.

### **My final decision**

For the reasons I've explained above and for the reasons given in the provisional decision, I'm not upholding Mr B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 6 July 2023.

Robert Walker  
**Ombudsman**