

## The complaint

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

## What happened

Mrs R was advanced six 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 instalments	weekly repayment per loan
1	£400.00	08/08/2019	28/04/2020	33	£20.00
2	£100.00	28/04/2020	30/07/2020	34	£5.00
3	£400.00	24/11/2020	01/07/2021	34	£20.00
4	£400.00	19/02/2021	16/08/2021	34	£20.00
5	£400.00	16/08/2021	07/04/2022	35	£20.00
6	£400.00	23/11/2021	28/07/2022	35	£20.00

Following Mrs R's complaint, Morses wrote to her representative to explain that it wasn't going to uphold it. Mrs R'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 Mrs R's complaint about them. But the adjudicator concluded when loans 4 - 6 were given to Mrs R that the lending was now harmful taking account of her loan history. So Morses ought to have realised these loans weren't sustainable for Mrs R and so loans 4 - 6 were upheld.

Mrs R's representative acknowledged receipt of the adjudicator's assessment, but no further information or comments were provided.

Morses disagreed with the outcome the adjudicator had reached, and I read and considered everything it said.

The case was then passed to an ombudsman for a decision about the complaint. I then issued my provisional decision explaining the reasons why I was intending to not, based on the evidence to hand uphold Mrs R's complaint. A copy of the provisional findings follows this in smaller text and forms part of this final decision.

Both Mrs R (or her representative) and Morses were asked to provide anything further for consideration as soon as possible, but no later than 9 June 2023.

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

Mrs R's representative emailed to say that the decision had been forwarded to her and it would then let us know what Mrs R said. However, no further comments have been

forwarded to us and since the deadline for a response to the provisional decision has now passed, I am proceeding 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 Mrs R 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 Mrs R'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 Mrs R. These factors include:*

- *Mrs R 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);*
- *Mrs R 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);*
- *Mrs R 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 Mrs R. The adjudicator thought this applied in Mrs R's complaint in relation to loans 4 - 6.*

*Morses was required to establish whether Mrs R 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 Mrs R 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 Mrs R's complaint.*

*Neither Morses nor Mrs R (or her representative) appear to disagree with the outcome the adjudicator reached about loans 1 - 3. 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 4 - 6 ought to have been granted.*

### **Loans 4 – 6**

*I thought about the reason why the adjudicator upheld these loans. But I don't think Morses ought to have realised these loans were unsustainable for Mrs R by the time loan 4 was granted. She had repaid the earlier loans (bar loan one) without any undue difficulty; her*

*borrowing wasn't increasing and there was a gap between loans.*

*Although the gap between loan 2 and 3 wasn't enough for Moses to have thought that it started a new lending chain, it is enough to have indicated to Moses that Mrs R wasn't reliant on these loans. So, I can't agree, that Moses would've believed these loans to be unsustainable for Mrs R.*

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

*Mrs R declared a weekly income of £318 for loan 4, £258 for loan 5 and £322 for loan 6. Moses has also explained these figures were verified with a credit reference agency – but it hasn't provided the details of the check or the results.*

*Mrs R's weekly outgoings were declared as being (rounded) £169 for loan 4, £137 for loan 5 and finally £162 for loan 6 – this included any repayments Mrs R already had committed to Moses. This left, Mrs R with a minimum weekly disposable figure of £120.25 to afford her weekly repayments of £20.*

*Based on what I've seen, I think the checks carried out before loan 4 was approved, were likely to be proportionate and these showed Mrs R would be able to afford the repayment. So based on current evidence, I am therefore intending to not uphold Mrs R's complaint about this loan.*

*However, I don't think the checks Moses carried out before loans 5 and 6 were approved were proportionate. By loan 5 Mrs R was again, borrowing the same amount over the same period. She had also returned for further funds on the same day that loan 4 had been repaid. Indeed, even with the gap in borrowing, Mrs R had already been indebted to Moses for around 20 months.*

*On top of this, there are some inconsistencies with what Mrs R was declaring for her expenses. For example, at loan 6 she declared weekly council tax payments of £17 which was a significant increase on the £4 she declared for loan 5. This is a significant change and actually should've been a prompt to Moses to have undertaken further checks.*

*So given the factors I've mentioned above, I think Moses needed to gain a full understanding of Mrs R's actual financial position to ensure these loans were affordable and sustainable for her. 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 Moses felt it needed to obtain in order to have satisfied itself the loan was affordable for Mrs R.*

*However, that isn't the end of the matter. For me to be able to uphold loans 5 and 6, I have to be satisfied that had Moses carried out what I consider to be a proportionate check it would've likely discovered that Mrs R couldn't afford the loans, or Moses was given some other evidence which indicated the loans were unsustainable for her for some other reason.*

*Neither Mrs R (or her representative) have provided a copy of her credit file, bank statements or any other documentation covering the period leading up loans 5 and 6 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 loans 5 or 6 either.*

*I'm therefore intending not to uphold Mrs R's complaint about loans 4 - 6.*

### **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 anything further, I see no reason to depart from the findings that were reached in the provisional decision. Morses carried out proportionate checks before loan 4 was granted and so this loan is still not upheld.

But I still don't think Morses carried out proportionate checks before it granted loans 5 and 6. However, as Mrs R (or her representative) hasn't provided any documentation about her financial situation at the time, I can't conclude that better checks would've shown Morses that Mrs R couldn't afford loans 5 and 6.

I am therefore not upholding Mrs R's complaint.

### **My final decision**

For the reasons I've explained above and in the provisional decision, I'm not upholding Mrs R's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs R to accept or reject my decision before 12 July 2023.

Robert Walker  
**Ombudsman**