

The complaint

Mr M complains that Morses Club PLC irresponsibly gave him a fixed sum loan agreement he couldn't afford to repay.

What happened

In October 2022, Mr M applied for a personal loan with Morses. He borrowed £980 which was to be repaid by 52 weekly repayments of £36.75. Mr M complained in early 2023, to say that the loan should not have been approved as it was unaffordable to him from the outset.

Morses didn't think it had acted unfairly in lending to Mr M. It said it had completed appropriate affordability checks which didn't reveal any concerns about Mr M's ability to repay the borrowing.

Our adjudicator didn't recommend the complaint be upheld. She thought Morses had completed proportionate affordability checks before lending and that these checks didn't reveal any concerns. For this reason, she didn't think Morses had acted unfairly in lending to Mr M.

Mr M didn't agree. He said that Morses had told him in the application phone call to understate his expenditure to make the loan appear more affordable. He said at the time he was desperate for the money.

As there was no agreement, the complaint has been passed to me for a decision.

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.

Prior to lending to Mr M, Morses needed to complete proportionate affordability checks. What is proportionate will vary with each lending decision. In deciding what is proportionate, Morses will have needed to take into consideration things such as (but not limited to): the size of the loan, the size of the repayments, the total repayable, the cost of credit and Mr M's circumstances.

Morses doesn't have a record of the phone call that took place between Mr M and Morses as it says these calls aren't recorded. I'm also mindful that Mr M says he was desperate for the loan at the time. So, based on the available evidence I'm not persuaded that it is more likely than not that Morses told Mr M to understate his expenditure.

As part of the application, Mr M declared he had a weekly income of £255 and a weekly expenditure of £192. Morses says it used credit reference agency data to check Mr M's income. I've not seen the results of those checks, but as Mr M doesn't appear to have disputed that figure, I've seen no reason to question it.

Morses also completed a credit check which showed that Mr M only had one outstanding credit commitment and was repaying a court debt and that these were taken into

consideration in his regular expenditure. I don't think there was anything in these checks which would have caused Morse's concern about Mr M's ability to repay its loan. Mr M has also provided us a copy of his credit report and this shows he held a number of current accounts which were in a positive balance and had settled other loans a few months before taking out this loan. All of this I think would have given Morse confidence that Mr M's financial circumstances appeared to be stable. For these reasons, I think it completed proportionate affordability checks and it made a fair lending decision based on what it could see about Mr M's circumstances.

I note Mr M says he was gambling heavily and he had no disposable income. While I accept that may have been the case, I don't think it's fair or reasonable to say that Morse ought to have realised this. This is because I don't think it would have been proportionate in the specific circumstances of this case for Morse to have done such detailed and thorough checks that would have been needed in order to uncover Mr M's gambling.

If Mr M is struggling financially he should discuss his circumstances with Morse. I remind Morse of its obligation to treat Mr M fairly if he is experiencing financial difficulty.

My final decision

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 7 December 2023.

Tero Hiltunen
Ombudsman