

complaint

Mr S says Morses Club PLC irresponsibly lent to him.

background

This complaint is about one home credit loan Morses Club PLC provided to Mr S in September 2016. The loan was for £100 and was to be repaid in 20 weekly instalments of £7.50. Mr S didn't repay his loan and so it was referred to a collections agency.

Our adjudicator didn't uphold Mr S's complaint. Mr S disagreed and so the complaint was passed to me for a final decision.

my findings

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 irresponsible lending - including all of the relevant rules, guidance and good industry practice - on our website.

Morses Club PLC needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure that Mr S could repay the loans in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and the consumer's income and expenditure. With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate.

But certain factors might point to the fact that Morses Club PLC should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These factors include:

- the *lower* a customer's 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 *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the *greater* the number and frequency of loans, and the longer the period of time during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

I think that it is important for me to start by saying that Morses Club PLC was required to establish whether Mr S could sustainably repay his loan – not just whether the loan payments were affordable on a strict pounds and pence calculation.

Of course the loan payments being affordable on this basis might be an indication a consumer could sustainably make their repayments. But it doesn't automatically follow this is the case.

This is because the relevant regulations define sustainable as being without undue difficulties and in particular the customer should be able to make repayments on time, while meeting other reasonable commitments; as well as without having to borrow to meet the repayments. And it follows that a lender should realise, or it ought fairly and reasonably to realise, that a borrower won't be able to make their repayments sustainably if they're unlikely to be able to make their repayments without borrowing further.

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mr S's complaint.

Morses Club PLC asked Mr S for information about his income and expenditure. Mr S said his weekly income was £330 and his expenditure was £130. This left him with a disposable income of £200 to meet his weekly repayments of £7.50. I think these affordability checks were proportionate to the size of the loan repayments compared to Mr S's income and the stage of the lending relationship.

Mr S told us that he had numerous other loans at the time and a check on his credit record would have shown missed payments and outstanding debts. But Morses Club PLC wasn't required to check his credit record so it wouldn't have known about his poor financial situation.

Given the loan amount, what was apparent about Mr S's circumstances at the time and his history with Morses Club PLC, I don't think it would've been proportionate to ask him for the amount of information needed to show the lending was unsustainable. There wasn't anything in the information Mr S provided or the information Morses Club PLC should've been aware of, which meant it would've been proportionate to start verifying what Mr S was saying. The loan repayments looked affordable. So I can't say it was wrong for Morses Club PLC to have provided this loan. And I don't require it to do anything further.

my final decision

For the reasons given above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 27 February 2020.

Phillip Berechree
ombudsman