

complaint

Mr T says Morses Club PLC lent to him irresponsibly. He says he has health conditions that compel him to make purchases. This led to him taking loans that he couldn't afford to repay. He also says his father informed Morses about this, but it still continued to lend.

background

Mr T has, in total, complained about 33 home collected credit loans. Morses says it purchased some loans that Mr T had taken from Shopcheck Financial Services up to 2011. It did this in March 2014. These are loans 1 to 14. These are being considered separately so they won't be looked at as part of this complaint.

Mr T continued to borrow and he took loans 15 to 22 from Morses between November 2011 and August 2012. I've listed some of the information I have about these below:

loan number	date started	amount borrowed	term (weeks)	date ended
15	24/11/2011	£400	78	07/05/2015
16	27/01/2012	£200	32	09/07/2012
17	18/05/2012	£200	32	14/04/2014
18	15/06/2012	£200	32	07/07/2014
19	29/06/2012	£600	50	05/08/2016
20	09/07/2012	£400	32	18/03/2016
21	03/08/2012	£200	50	05/03/2015
22	24/08/2012	£300	50	05/08/2016

Morses has said that it didn't follow its own internal procedures in respect of loans 23 to 33. So it has upheld these loans and offered compensation in the same way that I would were I to uphold a complaint about this lending.

Morses didn't agree to this Service considering loans 15 to 22 due to the time Mr T took to make his complaint. I have decided that this Service does have jurisdiction to consider this lending in a separate decision.

Our adjudicator has upheld the complaint about loans 15 to 22. Morses disagreed with the adjudicator's opinion so the complaint has been passed to me.

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

Morses 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 Mr T 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 Moses 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.

And the loan payments being affordable on a strict pounds and pence calculation might be an indication a consumer could sustainably make their repayments. But it doesn't automatically follow this is the case. The industry regulator defines 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 T's complaint. I've decided to uphold Mr T's complaint in part and have explained why below.

As I said above, loans 1 to 14 are being considered as part of a separate complaint. But they were part of Mr T's home credit lending history. And I think, given what I know about Mr T's circumstances that Moses was, or should've been, aware of this lending. So they are something I will take into account when considering the other loans he took.

And Moses has already offered to pay compensation about loans 23 to 33. So I won't be making a decision about this period of lending. But I've included the compensation for loans 22 to 33 in the putting things right section of my decision.

I haven't recreated individual, proportionate affordability checks for loans 15 to 22. And I haven't looked at the issues Mr T has raised about how the loans were sold in relation to his health problems. This is because I don't think it's necessary to do so. I've looked at the overall pattern of Mr T's lending history with a view to seeing if there was a point at which Moses should reasonably have seen that further lending was unsustainable, or otherwise harmful. And so Moses should have realised that it shouldn't have provided any further loans.

Given the particular circumstances of Mr T's case, I think that this point was already reached by loan 15. I say this because:

- At this point Moses ought to have realised Mr T was not managing to repay his loans sustainably. Mr T had already taken out 14 loans over almost a two year period. And I understand Moses was aware of this. So Moses ought to have realised it was more likely than not that Mr T's indebtedness was unsustainable.
- Mr T's had taken his first home credit loan in early 2010. So at loan 15, which was almost two years later, Moses ought to have known that Mr T was not likely borrowing over a shorter term but he had an ongoing, long term, need.
- From loan 15 onwards Mr T was provided with a new loan without a break in lending. And Mr T went on to often use the new loan to repay the outstanding balance on his previous lending.
- Mr T wasn't making any real inroads to the amount he owed Moses. And this continued for some time going forward. Mr T had paid large amounts of interest to, in effect, service a debt to Moses over an extended period.

I think that Mr T lost out because Moses continued to provide borrowing from loan 15 onwards because:

- these loans had the effect of unfairly prolonging Mr T's indebtedness by allowing him to take expensive credit over an extended period of time.
- the number of loans and the length of time over which Mr T borrowed was likely to have had negative implications on Mr T's ability to access mainstream credit and so kept him in the market for these high-cost loans.

I'm upholding the complaint about loans 15 to 22. And I think the compensation Moses has offered for loans 23 to 33 is fair and reasonable. Moses should put things right as I've outlined below.

putting things right – what Moses needs to do

- refund all interest and charges Mr T paid on loans 15 to 33;
- pay interest of 8% simple a year on any refunded interest and charges from the date they were paid (if they were) to the date of settlement*;
- the number of loans taken from 15 onwards means any information recorded about them is adverse. So all entries about loans 15 to 33 should be removed from Mr T's credit file.

*HM Revenue & Customs requires Moses to take off tax from this interest. Moses must give Mr T a certificate showing how much tax it's taken off if he asks for one.

my final decision

For the reasons I've explained, I partly uphold Mr T's complaint.

Moses Club PLC should put things right by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr T to accept or reject my decision before (date).

Andy Burlinson

ombudsman