

complaint

Mr L complains that Morses Club Limited didn't carry out proper affordability checks and irresponsibly granted him unaffordable loans. He wants the interest refunded.

background

Morses said in its final response that it wasn't a payday lender and it doesn't roll over loans or charge more for failed payments or late payments. Its loan terms were for 32 to 50 weeks. Its agent would visit Mr L at his home and it carried out affordability checks on each loan. Mr L confirmed the information he gave was correct. He didn't say he'd financial problems. His income and expenditure information showed he'd surplus income and could afford the weekly loan repayments. Its agent had collected the weekly payments. He'd asked for more loans and had the opportunity to say if he'd problems. It was appropriate to issue the loans.

Our adjudicator felt this complaint should be upheld. He said:

- Morses gave Mr L six loans between October 2010 and September 2011. The first loan for £200 wasn't paid off when the second was given. This pattern occurred again with the third, fourth, fifth and sixth loans. Mr L's borrowing steadily increased. By September 2011 he owed Morses £1,400.
- Morses has only provided copies of the loan applications showing his income and outgoings and a declaration from Mr L that he could afford the weekly payments. He'd have expected to see more documented checks before money was lent.
- The granting of new loans appears to have been a mere paperwork exercise. Mr L asked for further loans which were given on the basis of unverified income and expenditure figures and a declaration of affordability.
- At the time of these loans Mr L's bank account was overdrawn. If Morses had checked his bank statements it would've seen the situation he was in. Its lending wasn't responsible.
- Morses didn't carry out sufficient checks. So, it should refund the interest on Mr L's loans plus interest. It should also remove any adverse information recorded with credit reference agencies about these loans.

Morses doesn't agree and has asked for an ombudsman review. In summary it says it also took account of Mr L's previous excellent payment history. Mr L never took advantage of the 14 day cooling off period on each loan or said he'd financial difficulties. He kept up his payments and sometimes paid more than required. Its checks were appropriate to the amounts borrowed.

When his circumstances obviously changed in December 2011 it didn't issue any more loans and acted with forbearance. His bank statements show spending patterns that aren't those of a person in severe financial difficulties. The loans were affordable.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I agree with the adjudicator's conclusions for the same reasons.

Morses was entitled to rely on the information Mr L gave. Even so, I think it would've been reasonable for it to have verified some of this information and to have carried out other checks. Instead it appears to have relied heavily on Mr L's self declared information and on his previous borrowing performance. It's said it carried out credit checks but I've seen no evidence of them or exactly what information it relied on when deciding to make the loans to Mr L.

Whatever level of checks Morses carried out at the time of each loan application I think Mr L's borrowing history should've also very quickly alerted it to the fact that he may have been in financial difficulty, the loans may have been unaffordable and particularly that he was reliant on this lending. There was a pattern of repeatedly taking out new loans before previous ones weren't fully paid off. And the total amount borrowed steadily increased.

I think Morses should've reasonably done more checks and asked more questions. If it'd done so, for example by looking at his bank statements, I think its likely it would've realised that he may've been in difficulties and was reliant on this borrowing.

Taking everything into account I think its clear Mr L was reliant on these loans. And I don't think Morses has shown it carried out reasonable or proportionate checks or that it's lending of these six loans was responsible.

So, on balance I think the adjudicator's recommendations are a fair and reasonable resolution of this complaint. And I don't see any compelling reason to change the proposed outcome in this case.

my final decision

I uphold this complaint and I require Morses Club Limited:

1. To refund all interest on the six loans from October 2010 to September 2011 plus pay simple interest at the rate of 8% a year from the date each such sum was paid until the date of settlement; and
2. To remove these loans from Mr L's credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 3 October 2016.

Stephen Cooper
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