

complaint

Mr A complains Morses Club PLC is responsible for irresponsible lending. He says he was able to take out numerous loans without proper checks being conducted. Mr A wants to be returned to the position he'd have been in prior to the loans.

background

Mr A tells us he took out several loans with S (a business now taken over by Morses Club). He says he was given loans without proper checks being made - other than for the first loan. And he feels he shouldn't have been given new loans to pay off the older loans - as it left him paying large parts of his income to make the weekly repayments. He'd like records of these loans removed from his credit file and to be put back to the position he'd have been in without the loans.

Morses told us the agent conducted affordability checks and Mr A signed these. His income and expenditure declarations had shown a surplus of £120 per week and more. And weekly repayments had never exceeded £53.75. It said proper checks had been carried out and were proportionate to the amount of the loans - which it said never exceeded £650. And Mr A would've been informed he had 14 days to withdraw from a loan.

Mr A wasn't happy with this outcome and complained to us.

The investigator didn't recommend the complaint should be upheld. She found Mr A had completed affordability checks and he'd signed to confirm their accuracy. She said the weekly repayments were all within Mr A's declared level of disposable income and he'd continued to make payments - which she felt meant the loans were manageable.

As the loans hadn't defaulted or been sent to debt collectors there hadn't been any negative impact on his credit rating. And as he'd had the loans and use of the funds - he couldn't be put back to the same position as before them. In any case no extra interest or charges had been made - so Morses hadn't put him in a worse position since the loans were issued.

She didn't think it had done anything wrong and so wouldn't be asking it to amend records or make refunds.

Mr A wasn't satisfied with this and asked for an ombudsman to make the 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.

I can understand why Mr A is concerned if he feels he's been put in difficulties through being sold unaffordable loans. But it's important to note that affordability is judged on circumstances at the time the loan was made - not on what subsequently happens unless this could be reasonably anticipated.

From what I can see affordability checks were carried out - the final one of which was in August 2014 when Mr A took out the latest in a series of loans. Looking back at the history I can see on occasions Mr A took out loans and seems to have used some of the "new" loan to pay off an older loan. That's not unusual and it's not necessarily a sign of unaffordable or irresponsible lending. Many people choose to do this - as it can enable the term of a loan to be extended with lower instalments.

I've also seen that Mr A started to make repayments on the various loans and at the time new loans were taken had established a satisfactory level of repayments on other current loans. From the evidence I've seen the total weekly repayments required were below (50% or more) his declared disposable income. So it's not obvious that the loans were unaffordable. Given the relatively modest amounts of the loans - never more than £650 - I think the checks carried out were sufficient and proportionate. And Mr A did verify the accuracy of the information he'd supplied.

Morses have confirmed that the accounts haven't been defaulted - even though Mr A has now fallen into arrears of payments - nor has any further interest been added. But missed and/or late payments have been reported to credit reference agencies. This is in accordance with what we'd expect - lenders are required to ensure reports of credit activity are recorded accurately. And where that's been done I can't reasonably require a lender to remove such a record. And as the investigator has said we can't return Mr A to the position he was in before the loans as he's already had the benefit of them.

I can see Mr A presently appears to have difficulties in meeting all the repayments - and I'd expect Morses to treat him positively and sympathetically in such circumstances. But the nature of the loans he's taken is such that no charges or interest are added - even if payments are late. And whilst it's not for me to give advice Mr A may wish to consider contacting Morses and discussing what arrangements might be made to assist him in his present situation.

So whilst I know it will come as a disappointment to Mr A I'm in agreement with the findings and reasons given by the investigator. And so I shan't be upholding this complaint.

my final decision

For the reasons given above my final decision is I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 16 February 2018.

Stephen D. Ross
ombudsman