

## complaint

Mrs J says Morses Club PLC lent to her irresponsibly. She says the information it held about her wasn't correct. Because of this it lent to her when she couldn't afford the repayments.

## background

Mrs J's complaint is about, in total, 81 home credit loans. Loans 1 to 76 are the responsibility of another business and they are being looked at as part of a different complaint. So, I won't look at them here. I'm only considering loans 77 to 81, the loans Morses provided from January 2012 to August 2012 as part of this decision.

loan number	date started	amount borrowed	term (weeks)	date ended
77	30/01/2012	£400.00	78	23/12/2014
78	26/03/2012	£400.00	78	19/05/2015
79	15/05/2012	£1,000.00	50	04/01/2018
80	11/06/2012	£500.00	78	17/05/2016
81	14/08/2012	£800.00	50	outstanding

Morses didn't agree that this Service had jurisdiction to consider loans 77 to 80 due to the time that had passed since they were approved. This issue has been previously looked at and a decision has been issued. So I will not be revisiting the jurisdiction of these loans again.

Our adjudicator partially upheld the complaint. Morses has agreed that it shouldn't have approved loan 81. But it didn't agree with the adjudicator's opinion about loans 77 to 80. 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 irresponsible 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 Mrs J 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 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 Mrs J's complaint. I've decided to uphold Mrs J's complaint about the loans above and I have explained why below.

Morses accepted our adjudicators opinion about loan 81. Because of this I don't think there is any ongoing disagreement about this loan. So, I won't be making a decision about it. I have included it in my putting things right section below for completeness.

Given the length of time that these loans were set up to run for, and what Morses knew about Mrs J's circumstances, I think that it would've been proportionate to fully review Mrs J's financial situation before approving loans 77 to 80. And I think that Morses needed to verify the information it found out where possible. This is to make sure Mrs J was in position to make the repayments sustainably.

Morses hasn't been able to supply any information about what it did before approving these loans. But from what I know about its sales process I'm not persuaded that it would've made a full review of Mrs J's circumstances before approving these loans.

Mrs J also hasn't been able to provide much information about her circumstances at the time of sale. But what is clear is that she had taken a significant amount of home credit loans before she took these loans with Morses. Given that I think Morses should've fully reviewed Mrs J's finances before approving these loans I think it's reasonable to say, if Morses didn't know already, that it would've found out about Mrs J's previous home credit borrowing.

So I've looked at Mrs J's home credit lending history with a view to seeing that if, at loan 77, Morses should reasonably have thought that further lending was unsustainable, or otherwise harmful. And so Morses should have realised that it shouldn't have approved loans 77 to 80.

Given the particular circumstances of Mrs J's case, I think that this was the case. I say this because:

- At this point Moses ought to have realised Mrs J was not managing to repay her loans sustainably. Mrs J had taken out 76 loans before this. And I understand she had been borrowing for a significant amount of time.
- Mrs J wasn't making any real inroads to the amount she owed to home credit arrangements. And the fact that this was her 77th loan suggests to me that Mrs J had become reliant on this type of credit.
- So Moses ought to have realised it was more likely than not Mrs J was having to borrow further to cover the hole repaying her previous loans was leaving in her finances and that Mrs J's indebtedness was unsustainable.

I think that Mrs J lost out because Moses continued to provide borrowing from loan 77 onwards because:

- these loans had the effect of unfairly prolonging Mrs J's indebtedness by allowing her to continue to take expensive credit over an extended period of time.
- the number of loans Mrs J borrowed was likely to have had negative implications on Mrs J's ability to access mainstream credit and so kept her in the market for these high-cost loans.

So I'm upholding the complaint about loans 77 to 80 and Moses should put things right.

#### **putting things right – what Moses needs to do**

Moses shouldn't have given Mrs J loans 77 to 81.

If Moses has sold the outstanding debt it should buy it back if Moses is able to do so and then take the following steps. If Moses are not able to buy the debts back then Moses should liaise with the new debt owner to achieve the results outlined below.

A) Moses should add together the total of the repayments made by Mrs J towards interest, fees and charges on all upheld loans without an outstanding balance, not including anything Moses have already refunded.

B) Moses should calculate 8% simple interest\* on the individual payments made by Mrs J which were considered as part of "A", calculated from the date Mrs J originally made the payments, to the date the complaint is settled.

C) Moses should remove all interest, fees and charges from the balance on any upheld outstanding loans, and treat any repayments made by Mrs J as though they had been repayments of the principal on all outstanding loans. If this results in Mrs J having made overpayments then Moses should refund these overpayments with 8% simple interest\* calculated on the overpayments, from the date the overpayments would have arisen, to the date the complaint is settled. Moses should then refund the amounts calculated in "A" and "B" and move to step "E".

D) If there is still an outstanding balance then the amounts calculated in "A" and "B" should be used to repay any balance remaining on outstanding loans. If this results in a surplus then the surplus should be paid to Mrs J. However if there is still an outstanding balance then Moses should try to agree an affordable repayment plan with Mrs J. Moses shouldn't pursue outstanding balances made up of principal Moses has already written-off.

E) The overall pattern of Mrs J's borrowing for loans 77 to 81 means any information recorded about them is adverse, so Morses should remove these loans entirely from Mrs J's credit file. Morses do not have to remove loan 81 from Mrs J's credit file until these have been repaid, but Morses should still remove any adverse information recorded about these loans.

\*HM Revenue & Customs requires Morses to deduct tax from this interest. Morses should give Mrs J a certificate showing how much tax it has deducted, if he asks for one.

**my final decision**

For the reasons I've explained, I uphold Mrs J's complaint about loans 77 to 81.

Morses 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 Mrs J to accept or reject my decision before 10 September 2020.

Andy Burlinson  
**ombudsman**