

complaint

Mrs O's estate says Morses Club Plc irresponsibly lent to her.

background

This complaint is about 15 home credit loans Morses club provided to Mrs O between August 2013 and February 2015. Mrs O's borrowing history is as follows:

loan number	start date	loan amount	end date
1	20/08/2013	300	10/07/2014
2	20/08/2013	250	25/02/2014
3	29/10/2013	100	08/04/2014
4	17/12/2013	250	10/07/2014
5	28/01/2014	100	10/07/2014
6	25/02/2014	250	26/08/2014
7	08/04/2014	100	30/09/2014
8	10/07/2014	250	06/01/2015
9	10/07/2014	100	06/01/2015
10	10/07/2014	300	24/02/2015
11	26/08/2014	250	24/02/2015
12	30/09/2014	100	28/04/2015
13	06/01/2015	100	30/06/2015
14	06/01/2015	250	30/06/2015
15	24/02/2015	250	08/09/2015
16	24/02/2015	300	08/12/2015

Two adjudicators looked at this complaint. Our most recent adjudication upheld the complaint in full and thought Morses club shouldn't have given Mrs O any of the loans. Morses Club didn't respond to the most recent adjudication and the complaint was 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 Club 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 O 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 Uncle Buck should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These factors include:

- the *lower* a consumer'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.

Morses Club was required to establish whether Mrs O could sustainably repay her loans – not just whether the loan payments were affordable on a strict pounds and pence calculation.

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.

Morses Club took over responsibility for another business in March 2014. When the loans were transferred to Morses Club, loan 1 was already active and Mrs O had three other loans outstanding with the other business. Also, Mrs O had repaid two other loans on the day loans 1 and 2 were funded.

Given Mrs O's lending history which Morses Club was likely aware of, I've looked at the overall pattern of Morses Club's lending history with Mrs O, with a view to seeing if there was a point at which Morses Club should reasonably have seen that further lending was unsustainable, or otherwise harmful. And so Morses Club should have realised that it shouldn't have provided any further loans.

Given the particular circumstances of Mrs O's case, I think that this point was reached by loan 1 I say this because:

- I think its likely Morses Club would've been aware that Mrs O had three outstanding loans with the other business and so it ought to have realised she was not managing to repay her loans sustainably and that she wasn't borrowing to meet a temporary shortfall in her finances.
- From loan 1 onwards Mrs O was provided with a new loan within days of settling a previous one. Several of her loans overlapped and I can't see that she had any breaks in borrowing from Morses Club.
- Mrs O became reliant on these loans and she wasn't making any real inroads to the amount she owed Morses Club. Loan 16 was taken out 18 months after Mrs O's first, but she'd been borrowing consistently for longer than that. Mrs O had paid large amounts of interest to, in effect, service a debt to Morses Club over an extended period.

These loans had the effect of unfairly prolonging Mrs O's indebtedness by allowing her to take expensive credit intended for short-term use over an extended period of time and I think she lost out as a result.

So I'm also upholding Mrs O's complaint about Morses Club in full and it should put things right.

putting things right – what Morses Club needs to do

- refund all interest and charges Mrs O paid on all her loans;
- 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†;

† HM Revenue & Customs requires Morses Club to take off tax from this interest. Morses Club must give Mrs O's estate a certificate showing how much tax it's taken off if it asks for one.

my final decision

For the reasons given above, I'm upholding this complaint. Morses Club Plc should pay Mrs O's estate compensation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O on behalf of Mrs O's estate to accept or reject my decision before 22 December 2019.

Oyetola Oduola
ombudsman