

complaint

Mrs L complains that Morses Club Limited didn't carry out proper affordability checks and irresponsibly granted her unaffordable loans. She 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 up to 50 weeks. Its agent would visit Mrs L at his home and it carried out affordability checks on each loan. She'd confirmed the information he gave was correct. And she didn't say she'd financial problems. Her income and expenditure information showed she'd surplus income and could afford the weekly loan repayments. Its agent had collected the weekly payments. She'd asked for more loans and had the opportunity to say if she'd problems. It was appropriate to issue these loans.

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

- Morses gave Mrs L seventeen loans between May 2010 and November 2011. The first loans were for £600 and £300 over 50 weeks. They hadn't been paid off when the next two loans for £800 and £600 were given. More loans were given after this and at all times money was still outstanding on earlier loans when the new loans were given. Mrs L's borrowing steadily increased. By November 2011 she owed Morses £4,900.
- Morses has only provided copies of the loan applications showing his income and outgoings and a declaration from Mrs L that she 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. Mrs L asked for further loans which were given on the basis of unverified income and expenditure figures and a declaration of affordability.
- Morses didn't carry out sufficient checks. So, it should refund the interest on Mrs L's loans plus interest. It should also remove any adverse information recorded with credit reference agencies about them.

Morses doesn't agree and has asked for an ombudsman review. In summary it says it also took account of Mrs L's previous excellent payment performance. Mrs L never took advantage of the 14 day cooling off period on each loan or said she'd financial difficulties. She kept up her payments and sometimes paid more than required. Its checks were appropriate to the amounts borrowed. When her circumstances obviously changed in December 2011 it didn't issue any more loans and acted with forbearance. 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 Mrs 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 Mrs L's self declared information and on her 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 her.

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

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

Taking everything into account I think its clear Mrs L was very reliant on these loans. And I don't think Morses has shown it carried out reasonable or proportionate checks or that its lending of these seventeen 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 all seventeen loans from May 2010 to November 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 Mrs L's credit file.

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

Stephen Cooper
ombudsman