

## The complaint

Mr T says Morses Club PLC irresponsibly lent to him.

## What happened

This complaint is about 10 home collected credit loans provided to Mr T. It's not clear when loan 1 was provided to Mr T but loans 2 to 10 were provided to him between January 2014 and July 2018. Mr T's lending history is laid out below:

<i>loan</i>	<i>date taken</i>	<i>date repaid</i>	<i>amount</i>	<i>term</i>	<i>weekly repayment</i>
1	no details available – not acquisitioned by Morses Club				
2	07/01/2014	13/01/2015	£500	50 weeks	£17.50
3	09/04/2014	20/01/2015	£200	50 weeks	£7.00
4	20/01/2015	07/01/2016	£500	50 weeks	£17.50
5	20/03/2015	07/01/2016	£200	34 weeks	£27.50
6	07/01/2016	20/09/2016	£200	33 weeks	£10.00
7	07/01/2016	21/03/2017	£500	52 weeks	£17.50
8	20/09/2016	29/08/2017	£200	33 weeks	£10.00
9	21/03/2017	10/07/2018	£500	52 weeks	£17.50
10	10/07/2018	24/01/2020	£800	52 weeks	£28.00

Our adjudicator reviewed Mr T's complaint and they explained we couldn't consider loans 1 and 2 due to the time that had passed since they were taken out. But the adjudicator thought that the loans from loan 5 onwards should be upheld. The adjudicator said this because they thought the overall pattern of Mr T's borrowing indicated he was reliant on these loans and the borrowing was becoming unsustainable.

Morses didn't agree and asked for an ombudsman's decision. So, the complaint has been passed to me for a final decision.

## What I've decided – and why

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 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 Mr T could repay the loans in a sustainable manner.

These checks could consider several different things, such as how much was being lent, the repayment amounts and the consumer's income and expenditure. 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 Moses 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 level of income);
- the *greater* the number and frequency of loans, and the longer the period 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.

I think that it is important for me to start by saying that Moses was required to establish whether Mr T could sustainably repay his loans – not just whether the loan payments were affordable on a strict pounds and pence calculation.

Of course, 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 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 the arguments, evidence and information provided in this context and what this all means for Mr T's complaint. Having done so, I am partially upholding the complaint. I'll explain why.

Our adjudicator didn't think we could look into loans 1 and 2 and they didn't uphold Mr T's complaint about loans 3 to 5. Mr T hasn't provided any further evidence or arguments for us to consider, so I won't be making any further findings on these loans because they no longer appear to be in dispute.

I've looked at the overall pattern of Moses' lending history with Mr T, with a view to seeing if there was a point at which Moses should reasonably have seen that further lending was unsustainable, or otherwise harmful. And so Moses should have realised that it shouldn't have provided any further loans.

Given the circumstances of Mr T's case, like the adjudicator, I think that this point was reached by loan 5. I say this because:

- At this point Moses ought to have realised Mr T was not managing to repay his loans sustainably. Mr T had taken out at least four loans in 14 months. So, it should have realised it was more likely than not Mr T was having to borrow further to cover the hole repaying his previous loan was leaving in his finances and that Mr T's indebtedness was increasing unsustainably.

- Mr T's second loan was for £500 and loan 5 was for £200 but it was taken out whilst loan 4 was still running so the amount he was paying weekly had increased. At this point Moses ought to have known it was unlikely Mr T was borrowing to meet a temporary shortfall in his income but more to meet an ongoing need.
- From loan 5 onwards Mr T was provided with a new loan either on the same day he repaid a previous one – or shortly afterwards. Some of the loans were running concurrently which would have been increasing his weekly outgoings.
- Mr T wasn't making any real inroads to the amount he owed Moses. Loan 10 was taken out at least four years after Mr T's second loan, and possibly even more after his first loan. Mr T had paid large amounts of interest to, in effect; service a debt to Moses over an extended period.

I think that Mr T lost out because Moses continued to provide borrowing from loan 5 onwards because:

- These loans had the effect of unfairly prolonging Mr T's indebtedness by allowing him to take expensive credit intended for short-term use over an extended period.
- The number of loans and the length of time over which Mr T borrowed was likely to have had negative implications on Mr T's ability to access mainstream credit and so kept him in the market for these high-cost loans.

So, I'm upholding Mr T's complaint about loan 5 onwards. Moses should put things right as laid out below.

### **Putting things right**

- refund all interest and charges Mr T paid on loans 5 to 10;
- 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†;
- the number of loans taken from loan 5 onwards means any information recorded about them is adverse. So, all entries about loans 5 to 10 should be removed from Mr T's credit file.

*† HM Revenue & Customs requires Moses Club PLC to take off tax from this interest. Moses Club PLC must give Mr T a certificate showing how much tax it's taken off if he asks for one.*

### **My final decision**

I'm partially upholding Mr T's complaint. Moses Club PLC should put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 20 October 2020.

Claire Marchant-Williams  
**Ombudsman**