

The complaint

Ms B, through her representative, complains that Morses Club PLC lent to her when she could not afford it.

What happened

Using information from Morses here is a summary of the seven approved loans. They are all for Ms B according to Morses' records, but loan 7 was taken using a different customer number and follows a significant gap in the lending. So, it seems that Ms B was allocated a new customer number for that last loan.

Loan	Start Date	End Date	Capital Amount	Interest amount	Term	Repayment amount	Weeks Live
1	28/07/2017	12/02/2018	£300.00	£195.00	33	£15.00	29
2	12/02/2018	02/10/2018	£500.00	£325.00	33	£25.00	33
3	30/05/2018	25/01/2019	£200.00	£130.00	33	£10.00	34
4	02/10/2018	26/06/2019	£500.00	£325.00	33	£25.00	38
5	02/04/2019	30/09/2019	£200.00	£130.00	33	£10.00	26
6	30/09/2019	26/05/2020	£500.00	£350.00	34	£25.00	34
Gap 13 months followed by new customer number for Ms B							
7	24/06/2021	26/03/2022	£500.00	£375.00	35	£25.00	39

After Ms B had received Morses' final response letter, she referred her complaint to the Financial Ombudsman Service. One of our adjudicators looked at the complaint and the initial view was that Morses should put things right for Ms B for loans 4 to 7.

Morses responded to point out the new customer number and the gap in lending before loan 7. Morses also pointed out the individual issues surrounding each loan figure and disputed the uphold for loans 4 to 7.

Morses said it confirmed Ms B's income using a credit reference agency. And factoring in her expenditure it considered that Ms B was able to afford loans 4 to 7. Ms B had a good repayment record.

A second adjudicator reconsidered the complaint and felt that loans 5 to 7 ought not to have been lent to Ms B for reasons relating to unsustainability. So, our adjudicator considered that from loan 5 the pattern of lending was unsustainable.

Morses responded again to say that there was a significant gap before loan 7 and the loan 7 application was treated as the start of a brand new relationship. And on affordability it repeated much of what it had said earlier.

I decided to issue a provisional decision to give both parties time to send any additional evidence if either wished to. I gave reasons why I planned not to uphold the complaint.

Neither party has responded and the response date has passed and so I issue my final decision now.

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 high cost, short-term and home credit lending - including all the relevant rules, guidance and good industry practice - on our website.

Morses had to assess the lending to check if Ms B could afford to pay back the amounts she'd borrowed without undue difficulty. It needed to do this in a way which was proportionate to the circumstances. Morses' checks could have considered a number of different things, such as how much was being lent, the size of the repayments, and Ms B's income and expenditure.

I think in the early stages of a lending relationship, less thorough checks might have been proportionate. But certain factors might suggest Morses should have done more to establish that any lending was sustainable for Ms B. These factors include:

- Ms B having a low 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 amounts to be repaid being especially high (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- Ms B having a large number of loans and/or having these loans over a long period of time (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable);
- Ms B coming back for loans shortly after previous borrowing had been repaid (also suggestive of the borrowing becoming unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable for Ms B.

Morses was required to establish whether Ms B could sustainably repay the loans – not just whether she technically had enough money to make her repayments. Having enough money to make the repayments could of course be an indicator that Ms B was able to repay her loans sustainably. But it doesn't automatically follow that this is the case.

Industry regulations say that payments are sustainable if they are made without undue difficulties and, made on time, while meeting other reasonable commitments and without having to borrow to make them. If a lender realises, or ought reasonably to have realised, that a borrower won't be able to make their repayments without borrowing further then it follows that it should conclude those repayments are unsustainable.

For ease of reference I have set out the provisional decision here in full. It is in smaller type size to differentiate it.

My provisional findings dated 3 October 2022

I've considered all the arguments, evidence and information provided in this context, and thought about what this means for Ms B's complaint.

Loan 7

Starting with the last loan first, I agree with Moses that the 13 months gap in lending plus Ms B receiving a new customer number demonstrates that her application for loan 7 was treated as if it was the start of a new lending relationship. I consider that reasonable as the gap was significant.

And having viewed the information I have from Moses, I consider it carried out proportionate checks for loan 7 as the first loan in the new loan chain. And Ms B seemed able to afford the repayments for loan 7. So, I am planning not to uphold Ms B's complaint about loan 7.

Loans 1 to 4

For Loans 1 to 4, Ms B does not seem to have disagreed with the second of our adjudicator's views and so I do not think that loans 1 to 4 are in dispute. And I have not reviewed them.

Loans 5 and 6

That leaves the remaining contentious loan decisions for loans 5 and 6. I do not consider that there is any evidence of unsustainability at this point. I have no information from Ms B about her financial situation at the time. Her representative's submissions on her behalf are light and lack detail. There are no supporting documents.

I have considered that at loan 5 Moses likely ought to have made some additional checks. And I say this because when she applied for loan 5, loan 4 was a £500 loan, her largest one to date, which remained outstanding. And applying for an additional £200 loan which was going to have overlapped with loan 4 leads me to think that it ought to have done a bit more. And by the time Ms B was applying for loan 5 she had been with Moses for just less than two years.

And then Ms B applied for £500 which was loan 6. She had already paid off loan 4 a few months earlier and only had £70 left to pay on loan 5. But it was another relatively large loan sum and although the repayment record I have seen does not look as though Ms B was struggling to repay at all, still I think that by September 2019 (for loan 6), if Moses had not been carrying out any additional checks for loan 5, I do think that was necessary for loan 6.

Moses ought not to have relied only on what Ms B was telling them at that point she came back to it for loans 5 and 6.

However, I am not able to review any of Ms B's financial situation in and around the loan applications for loans 5 and 6 as nothing has been sent to us by Ms B to demonstrate her finances. Therefore, even if Moses had carried out the checks I would have expected it to have made for loans 5 and 6, I can't tell what it is that any Moses' review may have shown to it.

So, on current evidence I do not think that I have enough information to be able to uphold Ms B's complaint. I plan not to uphold Ms B's complaint.

The parties' responses to the provisional decision

Neither Moses nor Ms B's representative have responded to my provisional decision. I would not always expect a response from Moses for a non-uphold outcome. And we wrote again to Ms B's representative to remind them of the reply date which was 17 October 2022.

In the interests of resolving the outstanding complaint I have issued my final decision. And as I have received nothing further from either party I do not uphold Ms B's complaint for the same reasons given in my provisional decision. Those findings are repeated here and form

part of the decision.

My final decision

My final decision is that I do not uphold Ms B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms B to accept or reject my decision before 15 November 2022.

Rachael Williams
Ombudsman