

The complaint

Mr F complains about a personal loan provided to him by Madison CF UK Limited trading as "118 118 Money", which he says was unaffordable.

What happened

118 118 Money provided Mr F with a loan of £2,000.00 in April 2019. This loan had a 24-month term with a monthly repayment amount of £122.70. This all meant the total amount repayable of £2944.80 was due to be repaid.

One of our investigators looked at this complaint and thought that 118 118 Money carried out proportionate checks and made a fair lending decision based on what it had in front of it.

I issued a provisional decision on this complaint in June 2021. Both parties have received a copy of that provisional decision, but for completeness I include an extract from the decision below. I said;

"Were 118 118 Money's checks reasonable and proportionate?

118 118 Money says that it carried out an income and expenditure assessment with Mr F prior to providing him with this loan. It says it also carried out a credit check. Mr F declared that he was earning around £1636 a month and 118 118 Money worked out his expenditure would be around £1064. It arrived at this figure by asking Mr F about his expenditure and also cross checking his credit report. The credit search it carried out had no defaults, delinquent accounts or county court judgments. But Mr F was utilising all of the credit available to him with his revolving credit and had missed a payment on an account.

I've carefully considered what 118 118 Money has said. But when I consider what I have already mentioned about his credit report, the amount of the loan Mr F had asked for and the length of the term, I think that 118 118 Money needed to take steps to verify Mr F's monthly income and expenditure. I don't think it should have just relied just on what Mr F had said and what was in the credit search it carried out, to check that he could sustainably repay the loan repayments over the 24-month loan term.

I don't currently think that the checks 118 118 Money carried out before providing Mr F with his loan were reasonable and proportionate.

Would reasonable and proportionate checks have indicated to 118 118 Money that Mr F would have been unable to repay this loan?

As reasonable and proportionate checks weren't carried out before this loan was provided, I can't say for sure what they would've shown. So, I need to decide whether it is more likely than not that a proportionate check would have told 118 118 Money that Mr F would have been unable to sustainably repay this loan.

118 118 Money was required to establish whether Mr F could make his loan repayments without experiencing significant adverse consequences – not just whether the loan payments were technically affordable on a strict pounds and pence calculation.

Mr F has provided our service with bank statements from the period of time before this loan was granted. I've carefully considered the information provided within these statements. Having done so, it's clear Mr F was gambling significant amounts of money at the time he asked for this loan. He also had other short-term loans active at this time also. In these circumstances, it is apparent to me that Mr F was unlikely to have been able to repay this loan without borrowing further or experiencing financial difficulty.

Bearing all of this in mind, I'm satisfied that reasonable and proportionate checks would more likely than not have shown 118 118 Money that Mr F would not have been able to sustainably repay this loan. So, I'm satisfied that 118 118 Money's failure to carry out proportionate checks resulted in it unfairly providing this loan to Mr F.

So, it follows that I currently think that 118 118 Money needs to put things right."

I asked both parties to let me have any comments, or additional evidence, in response to my provisional decision. 118 118 Money responded and said it has no further comments. Mr F's representative responded and also had nothing further to add except to say that the debt had been sold by 118 118 Money to a third party, and that Mr F had agreed a payment plan with it.

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.

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Both parties have not made any further points. So, as neither party has anything further to add, I don't see any reason to depart from my findings within my provisional decision. With that being the case, 118 118 Money now needs to put things right.

Putting things right

Having thought about everything, I think it would be fair and reasonable in all the circumstances of Mr F's complaint for 118 118 Money to put things right by:

- Buying back the debt if it can do so from the third party. Then removing all interest, fees and charges applied to the loan from the outset. The payments Mr F made, direct to 118 118 Money and any third-parties, should be deducted from the new starting balance – the £2,000.00 originally lent. If it can't buy back the debt from the third party, then it should work with the third party to recalculate the amount owed based on what I have said.
- If Mr F has already repaid more than £2,000.00 then 118 118 Money should treat any extra as overpayments. And any overpayments should be refunded to Mr F; adding interest at 8% per year simple on any overpayments, if any, from the date they were made by Mr F to the date of settlement†

- If the amount repaid is less than £2000 then both parties should look to agree a payment plan. I would like to remind 118 118 Money of its obligation to exercise forbearance when it does this. Mr F's representative has informed our service that he suffered a serious injury some years ago. As a responsible lender it should take this into account in its discussions with him about repayment of this loan.

† HM Revenue & Customs requires 118 118 Money to take off tax from this interest. 118 118 Money must give Mr F a certificate showing how much tax it has taken off if he asks for one.

My final decision

My final decision is that I uphold Mr F's complaint and direct Madison CF UK Limited to put things right as described above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 17 July 2021.

Mark Richardson
Ombudsman