

## **The complaint**

Mr R complains Madison CF UK Limited trading as 118 118 Money ('118 118 Money') irresponsibly lent to him.

Mr R is represented by a claims management company. For ease I'll refer to all submissions as if they were made directly by him.

## **What happened**

Mr R was approved for a £2,000 loan by 118 118 Money in January 2019. The term of the loan was 24 months with repayments of effectively £200 per month. The purpose of the loan was listed as debt consolidation.

Mr R says this loan was irresponsibly lent. He says 118 118 Money did not complete reasonable and proportionate checks before approving the loan. He complains that if 118 118 Money had done this, it ought to have known the loan was unaffordable.

Our investigator recommended the complaint be upheld. She felt 118 118 Money did not complete reasonable and proportionate checks, and that in any event the information which was gathered demonstrated that 118 118 Money made an unfair decision to lend.

118 118 Money disagreed with our investigator. It maintained that it had completed reasonable and proportionate checks. And that there was sufficient information to suggest that the loan was affordable to Mr R.

## **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 approach to complaints about irresponsible and unaffordable lending as well as the key rules, regulations and what we consider to be good industry practice on our website. I've used this approach to help me decide this complaint.

Mr R and 118 118 Money are aware of our service's approach to irresponsible and unaffordable lending complaints; so for the sake of conciseness I won't set out the detail here. But for clarity, I've considered if 118 118 Money completed reasonable and proportionate checks; and if they made a fair decision to lend. I've also considered if 118 118 Money acted unfairly in any other way.

Having reviewed the information provided I'm also satisfied that 118 118 Money did not complete reasonable and proportionate checks in this instance. I can see that 118 118 Money completed an affordability assessment; and searched Mr R's credit file. 118 118 Money has confirmed that Mr R completed the application online and that it relied on the data which he had provided.

The income assessment which Mr R provided declared that his income was £1,600 per month and that his total outgoings were around £820. These outgoings included money for rent/mortgage as well as his existing credit commitments (a figure of £64 was input for this).

The credit file search demonstrated that Mr R had a total debt of around £3,800, of which £2,800 was made of unsecured loans and the other approximate £1,000 from revolving credit. It also demonstrated that Mr R was utilising his credit to around 97% balance to limit ratio. The history also demonstrated that Mr R had taken seven cash advances in the last six months, including three in the last three months. Mr R also had a historic CCJ for around £200. The rest of the credit file demonstrated that Mr R was meeting his credit commitments, generally speaking, well (albeit running his credit close to his limit).

Having considered this information I'm satisfied 118 118 Money should've completed further checks to verify Mr R's outgoings. Whilst 118 118 Money is correct it is entitled to rely on the information it is provided, this is only so far as there is evidence to support that information. In this instance the credit report suggested that Mr R had higher outgoings than those declared, and in particular that the declared £64 for his credit commitments was unlikely to be accurate. I'm therefore satisfied 118 118 Money should've done more to verify Mr R's outgoings.

I also note this loan was for debt consolidation; and that the total amount being borrowed was not sufficient to cover all of Mr R's debts. 118 118 Money has highlighted that Mr R did not need to clear all of his balances in order for the loan to be affordable, but I'm also satisfied it should've done more to understand which debts Mr R was planning on consolidating in order to better determine if he could reasonably afford it.

As 118 118 Money did not do further checks it follows that I'm satisfied it did not complete proportionate checks in this instance.

As 118 118 Money did not complete reasonable and proportionate checks, I have to consider what it would've done had it done so, and whether it therefore made a fair decision to lend.

In this instance, based on the information which has been provided to me I'm not satisfied 118 118 Money acted fairly when it lent to Mr R.

The information which has been provided demonstrates that Mr R was more than likely already struggling to meet his current financial commitments. And that further lending (regardless of the declared intention) would not have been sustainable for him. I note that Mr R's credit card limit had increased in the months leading up to this loan application from £500 to £1,000 and that Mr R had immediately reached the limit of this card. I can also see that Mr R had begun to take on cash advances including over £1,000 in the 12 months leading up to this application (as noted above he had also made seven advances in the last six months).

I'm satisfied that this pattern of lending demonstrates that Mr R was likely becoming reliant on credit to supplement his income in order to meet his necessary outgoings. I note that whilst this loan was for debt consolidation it was not for the full amount, and as such would've left Mr R still having to make repayments to existing credit providers. I also note this loan's repayments were substantial at £200 per month. I'm satisfied based on the information which has been provided that Mr R more than likely could not have afforded to do this sustainably (based on the pattern described above); and as such 118 118 Money made an unfair decision to lend to him.

I've not seen any further information which suggests 118 118 Money acted unfairly in any other way.

### **Putting things right**

Mr R has lost out financially as a result of 118 118 Money's actions. As such it needs to put things right. From the transaction statements it appears as if the loan has since been settled as there is a zero balance pending.

As such in order to do put things right I require 118 118 Money to:

- Refund all interest and charges paid by Mr R in relation to this loan;
- 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\*;
- Remove any negative information in relation to this loan from Mr R's credit file.

\*HM Revenue & Customs requires 118 118 Money to take off tax from this interest. 118 118 Money must give Mr R a certificate showing how much tax it's taken off if they ask for one.

### **My final decision**

My final decision is that I uphold this complaint against Madison CF UK Limited trading as 118 118 Money.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 5 December 2022.

Tom Whittington  
**Ombudsman**