

## The complaint

Ms Y says Madison CF UK Limited (trading as 118 118 Money) lent to her irresponsibly.

## What happened

Ms Y took out four instalment loans from 118 118 Money. A summary of her borrowing follows.

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loan	taken out	repaid	value, £	term in months	monthly repayment, £	total repayable, £
1	20/08/2016	11/04/2017	1000	24	73.60	1831.20
2	31/08/2016	17/11/2017	1000	24	79.27	1902.48
3	19/10/2018	22/04/2019	1950	24	153.58	3685.92
4	22/04/2019	07/04/2020	2235.61	24	175.40	4209.60

Ms Y says 118 118 Money didn't complete proper affordability checks or an assessment of any signs over indebtedness. She says its loans have worsened her financial situation, which was already poor. When she complained to the lender it agreed it could have done more before giving loan 4, and so upheld her complaint about that loan. Unhappy with its response about loans 1-3 Ms Y came to this service.

Our investigator upheld Ms Y's complaint about loans 2 and 3. He said whilst the checks were not proportionate for loan 1, from the available evidence he couldn't conclude that better checks would have shown the loan to be unaffordable. But for loans 2 and 3 he felt there was evidence Ms Y had not given accurate information about her existing credit commitments and so 118 118 Money should not have approved the loans.

Ms Y agreed with this assessment, but 118 118 Money asked for an ombudsman's review. It said it didn't believe Ms Y had deliberately misled it when she applied so this was not a fair reason to uphold her complaint about loans 2 and 3.

I reached the same overall conclusion as the investigator but based on different findings. So I issued a provisional decision (an extract follows and forms part of this final decision). I asked both parties to reply with any comments by 5 November 2021.

### *Extract from my provisional decision*

*I can see 118 118 Money asked for some information from Ms Y before it approved the loans. It asked for her monthly income and expenditure. It says it completed income verification with a third party to check her income – it hasn't shown how the results of this impacted its affordability assessment. Each time, it checked Ms Y's credit file to understand her existing monthly credit commitments and credit history. From these checks combined 118 118 Money concluded Ms Y had sufficient disposable income to afford the loans. As the lender has already agreed it should have done more before giving loan 4 I won't comment further on that and I will focus my assessment on loans 1 to 3.*

### Loan 1

*I think the checks 118 118 Money carried out were proportionate given the size and term of the loan and the age of the lending relationship. Our investigator felt that given the results of the credit check the lender should have carried out further checks. But I am not minded to agree. Whilst there was some adverse data on Ms Y's credit check, much of it was historic (over five years old) and the debts had later been settled. There was only one account that had defaulted more recently and that was 18 months ago and had been settled seven months previously. So I think it was reasonable for the lender to conclude Ms Y's finances had stabilised and were no longer under pressure. Her active credit accounts were up-to-date.*

*Ms Y's overall indebtedness stood at £10,777 - £9,391 was on a hire purchase agreement with a £161 monthly repayment and the remainder was credit card debt. There was no evidence the monthly cost of her existing credit commitments exceed the £305 she had declared on her application. Ms Y had said that her income was £1,879 and her total expenses were £1,334. This left her with disposable income of £545 from which to fund this additional credit commitment of £73.60. So in the round I don't think 118 118 Money was wrong to give Ms Y loan 1.*

### Loan 2

*Here I don't think 118 118 Money made a fair lending decision based on the information it gathered – so I don't plan to comment further on whether its checks were proportionate, or not. I say this because 118 118 Money could see from the credit check it completed that Ms Y's unsecured indebtedness had increased substantially in the last year. It had doubled to £21,136 and she had seven more active credit accounts. The report showed she was now spending around £590 a month to service her existing debt. And she had told the lender that her income had fallen to £1,498 a month. From this information I think 118 118 Money ought to have realised that Ms Y was already spending a significant proportion of her income on her existing credit commitments and increasing this further would mean there was a high risk the loan would be unsustainable for her. And this was something it needed to consider – not just the pounds and pence affordability - to meet its obligations under CONC 5.3.1(G). This stated:*

- 1. In making the creditworthiness assessment or the assessment required ..., a firm should take into account more than assessing the customer's ability to repay the credit.*
- 2. The creditworthiness assessment and the assessment required ... should include the firm taking reasonable steps to assess the customer's ability to meet repayments under a regulated credit agreement in a sustainable manner without the customer incurring financial difficulties or experiencing significant adverse consequences.*

*It follows I think 118 118 Money was wrong to give loan 2 to Ms Y.*

### Loan 3

*For the same reason I think 118 118 Money was wrong to give loan 3 to Ms Y. Her declared income was marginally higher at £1,521 but her unsecured indebtedness had not noticeably reduced at £20,426 and she had a further two lines of credit active. The credit check showed her total monthly credit commitments now totalled £1,206. Whilst her credit card debt had reduced by £684 she had made no inroads into her loan debt which stood at £18,448 and her mortgage commitment had increased. 118 118 Money pointed out that her credit card utilisation had fallen significantly to 13% - but this was primarily driven by a large increase in*

*her combined credit card limits to £11,700, up from £4,000 at the time of loan 2. If anything I think this ought to have further concerned the lender as it meant Ms Y had an already approved capacity to significantly extend her indebtedness. So as with loan 2 I think 118 118 Money ought to have realised that Ms Y was already spending a significant proportion of her income on her existing credit commitments and increasing this further would mean there was a high risk the loan would be unsustainable for her.*

*It follows I think 118 118 Money was wrong to give loan 3 to Ms Y.*

*In summary, I am planning to uphold Ms Y's complaint in part with regards to loans 2 and 3. I haven't found that the lender acted unfairly or unreasonably towards Ms Y in some other way.*

I then set out what 118 118 Money would need to do to put things right if I upheld the complaint in part.

### **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.

Our approach to unaffordable/irresponsible lending complaints is set out on our website and I've followed it here.

118 118 Money and Ms Y both responded to the provisional decision accepting the findings and outcome.

As neither party sent in new comments or evidence it follows I have no reason to change the findings or outcome I set out.

It follows I think 118 118 Money was wrong to give loans 2 and 3 to Ms Y.

### **Putting things right**

I think it's fair and reasonable for Ms Y to repay the capital that she borrowed as part of loans 2 and 3, because she had the benefit of that money. But she has paid interest and charges on these two loans that shouldn't have been provided to her.

It should:

- Remove all interest, fees and charges from loans 2 and 3 and treat all the payments Ms Y made as payments towards the capital.
- If reworking Ms Y's loan accounts results in her having effectively made payments above the original capital borrowed, then 118 118 Money should refund these overpayments with 8% simple interest calculated on the overpayments, from the date the overpayments would have arisen, to the date of settlement\*.
- Remove any adverse information recorded on Ms Y's credit file in relation to loans 2 and 3.

\*HM Revenue & Customs requires 118 118 Money to deduct tax from this interest. 118 118 Money should give Ms Y a certificate showing how much tax it's deducted, if she asks for one.

### **My final decision**

I am upholding Ms Y's complaint in part. Madison CF UK Limited (trading as 118 118

Money) must put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms Y to accept or reject my decision before 8 December 2021.

Rebecca Connelley  
**Ombudsman**