

The complaint

Mr F complained that Madison CF UK Limited trading as 118 118 Money lent to him irresponsibly and provided him with an unaffordable loan.

What happened

Mr F was given a loan by 118 118 Money as follows:

Loan start date	Loan amount	Monthly repayment	Total amount payable	Loan term - months	Loan status
8/2/2021	£5,000	£221.94	£7,989.84	36	Outstanding

One of our adjudicators reviewed Mr F's complaint. She didn't think that 118 118 Money should've provided the loan to Mr F so she recommended upholding the complaint and set out the steps 118 118 Money needed to take to put things right.

118 118 Money disagreed with our adjudicator's view. It mainly said that there was nothing on the credit file it obtained that would have led it to complete further checks and Mr F was paying only around 19% of his gross monthly income towards unsecured credit.

As the complaint hasn't been resolved, it comes to me to decide.

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 unaffordable/irresponsible lending complaints on our website and I've kept this in mind while deciding this complaint. I have also taken into consideration regulatory rules and good industry practice at the time. Having done so, I am upholding Mr F's complaint for broadly the same reasons as our adjudicator.

The rules don't say what a lender should look at before agreeing to lend. But reasonable and proportionate checks should be carried out.

Lenders must work out if a borrower can sustainably afford the loan repayments alongside other reasonable expenses the borrower also has to pay. This should include more than just checking that the loan payments look affordable on a strict pounds and pence calculation – a proportionate check might also require the lender to find out the borrower's credit history and/or take further steps to verify the borrower's overall financial situation.

If reasonable and proportionate checks weren't carried out, I need to consider if a loan would've been approved if the checks had been done. If proportionate checks were done and a loan looks affordable, a lender still needs to think about whether there's any other

reason why it would be irresponsible or unfair to lend. For example, if the lender should've realised that the loan was likely to lead to significant adverse consequences or more money problems for a borrower who is already struggling with debt that can't be repaid in a sustainable way.

118 118 Money was satisfied that its income and expenditure assessment showed that Mr F should be able to make the repayments on his 118 118 Money loan out of his disposable income after paying his other monthly costs. So 118 118 Money felt this loan was affordable for Mr F.

But like our adjudicator, I don't think 118 118 Money properly took into account the information it had gathered about Mr F's overall financial situation or the likelihood of him being able to pay its loan in a sustainable manner. And I don't think 118 118 Money made a fair lending decision when it lent to Mr F based on the information its credit checks revealed.

These showed that Mr F was paying a hire purchase account that cost him £435 per month. So I think 118 118 Money should have been aware that when it provided this loan, Mr F would need to spend around a quarter of his take home pay just on servicing his credit debts. And whilst he didn't have any other active payday or unsecured loans on his report, it was apparent that he'd had some money problems with a default shown in the previous 12 months. With these things in mind, and given the amount of this loan, I think 118 118 Money needed to do more in-depth checks to make sure it had a proper understanding of his financial situation before agreeing this loan to ensure it could be reasonably satisfied that it would be sustainably affordable for Mr F over the 36 months term.

I've looked at what I think proportionate checks would likely have shown.

Bank statements provided by Mr F are a useful guide to understanding his overall financial situation at the time. With the repayment for this loan, I think Mr F was committed to spending such a significant proportion of his income just on servicing debt that there was a serious risk he wouldn't be able to meet his existing commitments without having to borrow again during the loan term.

And had 118 118 Money done what I consider would've been a proportionate check, it would likely have found out that Mr F was spending significantly on gambling. The amounts and frequency of Mr F's online betting make me think that 118 118 Money should've realised this suggested there was a real risk that its loan might be used to effectively fund what looked like a gambling problem. And this is borne out by his bank statements that show on the day this loan was paid into Mr F's bank account, Mr F placed at least 6 bets worth £865 leaving him with just £250 in his account.

So, for all these reasons, I believe that if 118 118 Money had done a proportionate check it should've realised that this wasn't a sustainably affordable position for Mr F and it shouldn't have provided this loan.

This means I'm upholding Mr F's complaint and 118 118 Money needs to put things right.

Putting things right

Our adjudicator didn't recommend that 118 118 Money should pay any additional redress. Mr F hasn't commented on that and I haven't seen anything which makes me think the lender acted unfairly towards Mr F in any other way. So I'm not awarding any additional redress.

It's fair and reasonable for Mr F to repay the capital amount that he borrowed, because he had the benefit of that lending – but it's unfair to expect him to repay more than the capital amount he borrowed.

118 118 Money should do the following:

- add up the total amount of money Mr F received as a result of being given the loan. The payments Mr F made should be deducted from this amount
- if this results in Mr F having paid more than he received, then any overpayments should be refunded along with 8% simple interest* (calculated from the date the overpayments were made until the date of settlement)
- If any capital balance remains outstanding, then 118 118 Money should attempt to arrange an affordable/suitable payment plan with Mr F keeping in mind its obligation to treat him positively and sympathetically if he still needs further time to pay
- remove any adverse information placed on Mr F's credit file regarding the 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

I uphold Mr F's complaint and direct Madison CF UK Limited trading as 118 118 Money to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 4 April 2022.

Susan Webb
Ombudsman