

## The complaint

Mr H complained that Madison CF UK Limited trading as 118 118 Money acted irresponsibly when it gave him unaffordable loans.

## What happened

Mr H took out three loans with 118 118 Money as follows:

Loan	Date taken	Loan amount	Scheduled term	Monthly repayment	Total repayable	Date repaid
1	2.2.2018	£2,000	24 months	£112.79	£2,706.96	Balance owing paid by loan 2
2	9.11.2018	£2,647.41	24 months	£148.75	£3,570	Balance owing paid by loan 3
3	19.2.2020	£3,546.24	24 months	£197.51	£4,740.24	Outstanding

Mr H has brought his complaint to us through his representative, but to keep things simpler, I'll just refer to Mr H.

Our adjudicator assessed the complaint and whilst he didn't think that we could uphold Mr H's complaint about loans 1 and 2, he did think that loan 3 shouldn't have been provided. He set out his findings in a letter explaining how he'd come to his view. 118 118 Money said it accepted what our adjudicator said and agreed to pay the recommended redress in respect of loan 3 to put things right. Mr H also agreed with our adjudicator about loan 3 but felt that his complaint about both the other loans should be upheld as well.

Mr H mainly said that his bank statements showed a true reflection of his actual financial situation at the time and that the extent of his spending on gambling meant none of these loans was likely to be sustainably affordable. So 118 118 Money shouldn't have provided any of them.

As Mr H disagreed with our adjudicator's view, it has come to me to make a decision.

## 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.

I have also taken into account the law, any relevant regulatory rules and good industry practice at the time. I'd like to reassure Mr H that I've looked at the complaint afresh – and I've independently reached the same conclusions as our adjudicator. I'll explain why I say this.

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.

As 118 118 Money has agreed to uphold Mr H's complaint about loan 3 and do what is needed to put things right in line with our adjudicator's recommendation, then I don't need to consider this loan further save to include it in the redress. So I'll concentrate on looking into loans 1 and 2.

118 118 Money asked Mr H about his income and expenditure and also carried out credit checks. He said he was earning around £2,000 per month when he took out these loans and his monthly expenditure was approximately £480. 118 118 Money checked Mr H's declared income using third party data.

After allowing for the cost of the repayments he would have to make for these loans on top of his other monthly outgoings, 118 118 Money worked out that the repayments should still have been affordable for Mr H.

I can't see that there was anything in the information Mr H provided or the other information 118 118 Money had recorded, which meant that 118 118 Money should've taken more steps to check the information Mr H had declared. He had available unused credit shown on the credit report 118 118 Money acquired, his accounts looked to be well managed and his overall amount of debt wasn't excessive or concerning. I think the checks were enough for 118 118 Money to agree to lend loan 1 and the information 118 118 Money had gathered reasonably supported its lending decision.

When he applied for loan 2, Mr H hadn't shown 118 118 Money any signs that he was finding it hard to pay for his borrowing and the figures he'd declared, and the information 118 118 Money had collected, still seemed to support 118 118 Money's lending decision.

I've taken into account everything Mr H has said, including his comments in response to our adjudicator's opinion and his view that 118 118 Money should've found out the information that's on his bank statements before agreeing to lend to him.

But at this stage of the lending relationship, I don't think proportionate checks would've required 118 118 Money to ask Mr H to prove what he was declaring or check other information sources (like his bank statements for instance) to verify what he had told them (or omitted to say) about his financial circumstances.

To sum up, I think the checks that 118 118 Money carried out before it agreed to provide loans 1 and 2 were proportionate and it was entitled to rely on the information it acquired which showed that these loans looked sustainably affordable for Mr H.

So I don't uphold Mr H's complaint about loans 1 and 2.

I'm sorry that Mr H finds himself in financial difficulty. I accept that Mr H's financial situation possibly wasn't fully reflected either in the information he provided or the other information 118 118 Money obtained.

But in order to uphold a complaint I have to be able to say a lender acted unfairly or unreasonably in some way. And, in this case, I don't think that 118 118 Money did anything wrong in deciding to lend loans 1 and 2 to Mr H. It did sufficient checks in the particular circumstances of these loan applications and made fair lending decisions based on the information it obtained.

So I haven't seen enough to be able to uphold his irresponsible lending complaint in respect of the first two loans.

I appreciate that my decision is going to disappoint Mr H. But I hope that setting out the reasons as I've done will help explain how I've reached my decision.

### **Putting things right**

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

So I'm not awarding any additional redress.

And I think it is fair and reasonable for Mr H to repay the capital amount that he borrowed when he took out loan 3, because he had the benefit of that lending.

But he has been charged extra for a loan that should not have been provided to him and that's unfair. In line with this Service's approach, Mr H shouldn't repay more than the capital amount he borrowed.

So, if it hasn't already, 118 118 Money should do the following:

- add up the total amount of money Mr H received as a result of having been given loan 3. The repayments Mr H made should be deducted from this amount.
- If this results in Mr H 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 H.
- Whilst it's fair that Mr H's credit file is an accurate reflection of his financial history, it's unfair that he should be disadvantaged by any adverse information recorded about a loan that was unfairly provided. So 118 118 Money should remove any negative information recorded on Mr H's credit file regarding loan 3.

\*HM Revenue & Customs requires 118 118 Money to deduct tax from this interest. 118 118 Money should give Mr H a certificate showing how much tax has been deducted if he asks for one.

**My final decision**

For the reasons I've given, I uphold Mr H's complaint about loan 3 and Madison CF UK Limited trading as 118 118 Money should take the steps I've set out above to put things right.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 23 March 2022.

Susan Webb  
**Ombudsman**