DRN-3320142

The complaint

Mr D complains that Madison CF UK Limited, trading as 118118 Money (Madison), lent to him irresponsibly.

What happened

Mr D has explained his circumstances at the time and I am sorry to hear it. And I understand his financial situation is better now. Mr D approached Madison twice for loans. Using information from Madison's records here is a brief loan table.

Loan	Approved	Amount	Term and repayments (rounded)	Repaid
1	5 June 2017	£2,000	24 x £158 each month	14 May 2018
Gap in lending of 18 months				
2	30 November 2019	£1,000	12 x £119 each month	25 April 2020

Mr D complained to Madison in May 2021 using a representative. Madison issued its final response letter to that representative in July 2021. Mr D complained again without the representative in late July 2021 and Madison said it had already addressed his irresponsible lending complaint and was not doing so again.

Mr D referred his complaint to the Financial Ombudsman Service and one of our adjudicators looked at it. She thought that we did not need to ask Madison to put things right as it had carried out the right checks before lending.

Mr D did not agree as he said his credit file would show he had taken loans just before he took these loans. And that his bank statements would have revealed his gambling.

The unresolved complaint was passed 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 general approach to complaints about unaffordable/irresponsible lending - including all the relevant rules, guidance and good industry practice - on our website.

Taking into account the relevant rules, guidance and good industry practice, what I need to consider in deciding what's fair and reasonable in the circumstances of this complaint are whether Madison completed reasonable and proportionate checks to satisfy itself that Mr D would be able to repay in a sustainable way? And, if not, would those checks have shown that Mr D would've been able to do so?

If I determine that Madison did not act fairly and reasonably in its dealings with Mr D and that he has lost out as a result, I will go on to consider what is fair compensation.

The rules and regulations in place required Madison to carry out a reasonable and proportionate assessment of Mr D's ability to make the repayments under this agreement. This assessment is sometimes referred to as an "affordability assessment" or "affordability check".

The checks had to be "borrower" focused – so Madison had to think about whether repaying the loan would be sustainable and/or cause significant adverse consequences for Mr D. In practice this meant that Madison had to ensure that making the payments to the loan wouldn't cause Mr D undue difficulty or significant adverse consequences.

In other words, it wasn't enough for Madison to simply think about the likelihood of it getting its money back, it had to consider the impact of the loan repayments on Mr D. Checks also had to be "proportionate" to the specific circumstances of the loan application.

In general, what constitutes a proportionate affordability check will be dependent upon a number of factors including – but not limited to – the circumstances of the consumer (e.g. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they are seeking. Even for the same customer, a proportionate check could look different for different applications.

I think that a reasonable and proportionate check ought generally to have been *more* thorough:

- the *lower* a consumer's income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);

- the *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);

- the *greater* the number and frequency of loans, and the longer the period of time during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

I've carefully considered all the arguments, evidence and information provided in this context and what this all means for Mr D's complaint.

I have decided not to uphold Mr D's complaint and I will explain here.

For Loan 1, Mr D had informed Madison he was living at home with parents and his salary was £2,500 a month and his outgoings were relatively low at £300 for household and food and £50 a month for other credit obligations.

Having reviewed the records Madison has sent to me, it carried out an income verification which dovetailed with what Mr D had told them. Madison carried out a credit search and it has sent to us those results. It did not show a great deal of outstanding debt. And revealed nothing to give it concern.

So, the proportionate checks for Mr D's first loan were fulfilled and the information it acted on before approving the loan was appropriate. Mr D's figures combined with what it had seen on the credit searches led it to consider Mr D could afford the loan.

The gap between the two loans meant that when Mr D came back for the second loan, 18 months after he had repaid his first one earlier than scheduled, then it was reasonable for Madison to proceed on the basis Mr D was in a similar position to a new customer. And even if it had not done that and had treated the two loans as one lending chain, the fact Mr D repaid loan 1 early and was then reapplying for a smaller sum (£1,000), would not have been an element to cause it concern. And unlikely to have prompted Madison to think it needed to carry out additional checks.

For Loan 2, Madison's records show me that Mr D had told it he earned £3,000 a month, was living at home with his parents and his outgoings were more than for loan 1. He paid for household things including utilities and food which came to £420 a month. He had card and loan repayments at £100. He paid £50 for insurance and £200 childcare.

Madison verified his income and checked his credit situation. Again, that did not reveal anything untoward and Mr D's figures combined with what it had seen on the credit searches led it to consider Mr D could afford the loan.

I have reviewed both sets of credit searches carried out for each loan in detail, and here is summary of the search results carried out by Madison in November 2019, as Mr D applied for loan 2:

> ***Indebtedness Indicators***
>
> *Total Balances (All): £ 4,984*
>
> *Total Balances (Loans/Installment* [sic] *Credit): £ 1,955*
>
> *Total Balances (Revolving Credit/Budget): £ 3,029*
>
> *Total Limits (Revolving Credit/Budget): £ 3,700*
>
> *Balance to Limit Ratio (Revolving Credit/Budget): 81 %*

These do not reveal a debt situation of concern considering Mr D's income and his situation where his domestic outgoings were relatively light as he was living at home with his parents. And Madison considered that was the case and I agree. I think the checks were reasonable and proportionate. Those checks suggest the loan was affordable and Mr D could sustain the repayments over the term.

Mr D's argument is that he had a gambling addiction, a poor credit record and Madison ought to have known that. But I don't think the gambling was something Madison knew, or ought to have known, from what I consider to be proportionate checks. It would have been disproportionate to expect Madison to do more.

The only way that Madison was likely to have known Mr D was spending the capital on gambling was is if he had informed Madison of that. I doubt that he did, or that he would likely have done, as he was applying to it for a loan.

I do not uphold Mr D's complaint

My final decision

My final decision is that I do not uphold Mr D's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 11 April 2022.

Rachael Williams

Ombudsman