

## The complaint

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

## What happened

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

Mr C took out three loans with 118 118 Money. In its final response letter, 118 118 Money said it upheld Mr C's complaint about a loan it provided to him in November 2018.

Mr C didn't feel that the lender's offer to put things right went far enough and so he approached this Service to investigate his complaint about other loans that 118 118 Money provided as follows:

Loan	Date taken	Amount	Term	Monthly repayment	Total amount repayable	Loan status
1	21/10/2017	£2,000	24 months	£156.81	£3,763.44	Repaid with loan 2
2	30/05/2018	£2,342.92	24 months	£181	£4,344	Repaid with loan 3

Our adjudicator assessed the complaint and whilst she didn't think that we could uphold Mr C's complaint about loan 1, she did think that loan 2 shouldn't have been provided. She set out her findings in a letter explaining how she'd come to her view. 118 118 Money disagreed with our adjudicator about loan 2.

It mainly said that our adjudicator seemed to be relying on historic evidence of missed payments and the fact that Mr C was going over his credit card limits looked more like poor management and the result of interest being added to the account balance rather than an affordability issue.

The complaint came to me to decide. I issued a provisional decision.

## What I said in my provisional decision

Here are some of the main things I said.

*"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 C's complaint about loan 3 and do what is needed to put things right in line with what we'd expect, and Mr C hasn't said any more about this, then I don't need to consider this loan further (save to mention it in the redress part of my decision).*

*And as far as I can see, Mr C hasn't objected to what our adjudicator said with respect to not upholding his complaint about loan 1. So I don't think I need to say more about loan 1 except that I've reviewed this loan and independently reached the same conclusion as our adjudicator. I haven't seen enough to say that 118 118 Money shouldn't have provided this loan – so I'm not upholding this part of Mr C's complaint. But, like our adjudicator, I don't think 118 118 Money should've provided loan 2. Here's why I say this.*

*Mr C used loan 2 to repay the balance owing on loan 1 and top-up his borrowing with a further £650.*

*118 118 Money asked Mr C about his income and expenditure and also carried out credit checks. He said he was earning around £2,400 per month when he took out this loan and his monthly expenditure was approximately £821. 118 118 Money checked Mr C's declared income using third party data.*

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

*But I don't think 118 118 Money fully considered the information it saw on Mr C's credit file. I think it's fair to say that historic payment issues and money problems weren't necessarily a reliable indicator of Mr C's current financial situation. But 118 118 Money saw that Mr C had maxed out his credit cards – including one he'd taken out just a couple of months previously and run up almost to its credit limit in the first month. It was also evident that Mr C had relied to some extent on using his credit cards for cash advances – not just historically but also during the previous 12 months. This is a particularly expensive way to obtain spending money.*

*And it's hard to understand why Mr C would've needed to use a credit card with a £450 credit limit if he'd had the amount of disposable income 118 118 Money's affordability assessment would appear to suggest.*

*As well as this, the indications of financial difficulty are borne out by the fact that 118 118 Money was able to see that Mr C was already spending a significant proportion of his income servicing his existing debt – around a third of his take home pay was needed to*

*pay his existing credit commitments. I think 118 118 Money should've realised that he had become over-reliant on credit and his position had become unsustainable.*

*Bearing in mind that 118 118 Money didn't know how its loan was going to be spent I think it should've recognised that Mr C simply wasn't in a strong enough financial position to be able to take on a further monthly repayment of £181 for this loan and that he most likely wouldn't be able to make the loan repayments in a sustainable way over the next two years. With the repayment for this loan as well, Mr C 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.*

*So I don't think loan 2 should've been provided and 118 118 Money needs to put things right."*

### **What the parties said in response to my provisional decision**

Both Mr C and 118 118 Money have confirmed that they accept my provisional 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.

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'd like to thank both parties for all the information that has been provided about this matter and 118 118 Money for responding so promptly to my provisional decision to confirm acceptance.

As no further comments have been received in response to my provisional decision that change what I think about this case, I confirm the conclusions I reached in my provisional decision.

### **Putting things right**

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

And I think it is fair and reasonable for Mr C to repay the capital amount that he borrowed, because he had the benefit of that lending. But he has been charged extra for lending that should not have been provided to him and that's unfair. In line with this Service's approach, Mr C shouldn't repay more than the capital amounts he borrowed.

So, if it hasn't already, 118 118 Money should liaise with the debt owner in relation to loan 3 as necessary and do the following:

- add up the total amount of money Mr C received as a result of having been given loans 2 and 3. The repayments Mr C made should be deducted from this amount
- If this results in Mr C 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 C.
- Whilst it's fair that Mr C'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 loans unfairly provided. So 118 118 Money should arrange the removal of any negative information recorded on Mr C's credit file regarding loans 2 and 3.

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

### **My final decision**

I partly uphold Mr C's complaint 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 C to accept or reject my decision before 4 April 2022.

Susan Webb  
**Ombudsman**