DRN-3353804

The complaint

Mrs B says Madison CF UK Limited trading as 118 118 Money (118 118) irresponsibly lent to her. She thinks that, because of the size and term of the loan, 118 118 should have made better checks. If it had done this it would have seen that Mrs B had significant financial problems which included gambling.

What happened

This complaint is about one loan 118 118 provided to Mrs B. Mrs B borrowed £2,000 on 20 November 2020. She was due to make 24 monthly repayments of £147.37. So, she would repay a total of £3,536.88.

Our adjudicator didn't uphold Mrs B's complaint. She thought that the checks that 118 118 had made were proportionate and these showed that the loan was likely to be affordable.

Mrs B disagreed. She maintained that 118 118 should have made better checks. And had it done this it would've seen that she was in financial difficulty.

As no agreement was reached the complaint was passed to me, and ombudsman, 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.

We've set out our general approach to complaints about unaffordable/irresponsible lending - including all of the relevant rules, guidance and good industry practice - on our website.

Taking into account the relevant rules, guidance and good industry practice, I think the overarching question I need to consider in deciding what's fair and reasonable in the circumstances of this complaint is:

- Did 118 118, each time it lent, complete reasonable and proportionate checks to satisfy itself that Mrs B would be able to repay in a sustainable way? If not, would those checks have shown that Mrs B would've been able to do so?

If I determine that 118 118 did not act fairly and reasonably in its dealings with Mrs B and that as a result he lost out, I will go on to consider what is fair compensation.

The rules and regulations in place required 118 118 to carry out a reasonable and proportionate assessment of Mrs B'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 118 118 had to think about whether repaying the loan would be sustainable and/or cause significant adverse consequences for Mrs B. In practice this meant that business had to ensure that making the payments to the loan wouldn't cause Mrs B undue difficulty or significant adverse consequences.

In other words, it wasn't enough for 118 118 to simply think about the likelihood of it getting its money back, it had to consider the impact of the loan repayments on Mrs B. 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 particular 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.

In light of this, 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 of the arguments, evidence and information provided in this context and what this all means for Mrs B's complaint.

118 118 has provided evidence to show that before lending the loan it asked Mrs B about her income and expenditure and looked at some credit reference agency information to verify her income and look at any other credit she may have. Based on those checks 118 118 thought it was fair to lend.

I've seen a record of the information Mrs B provided when she completed her loan application. Mrs B said she had a monthly income of around £2,000. 118 118's checks show this may have been nearer £1,600. And she had regular monthly outgoings of about £1,000. So, it would've been reasonable for 118 118 to think that the loan was affordable for Mrs B.

The information it obtained from the credit reference agency did show that Mrs B had some other debt. But this was modest, and Mrs B wasn't having any problems repaying it.

So I don't think 118 118 needed to look at Mrs B's bank statements here, or do a full review another way. And it wouldn't be fair to say that it should have seen the amounts Mrs B was gambling. I don't think this something the 118 118 knew, or ought to have known, from what I consider to be proportionate checks.

I haven't seen any further information that shows its likely 118 118 was made aware of any financial problems Mrs B might've been having. Or anything that would've prompted it to investigate Mrs B's circumstances further. Overall, I think it was reasonable for 118 118 to rely on the information it obtained.

So, in these circumstances, I think the assessment 118 118 did for this loan was proportionate. And I think its decision to approve it was reasonable.

My final decision

For the reasons given above, I'm not upholding Mrs B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 25 April 2022.

Andy Burlinson
Ombudsman