

## The complaint

Ms M complains about a loan provided to her by Madison CF UK Limited trading as “118 118 Money”, which she says was unaffordable.

## What happened

118 118 Money provided Ms M with a loan in June 2014. This was for £1000 to be repaid over 12 months with a monthly instalment of £117.39.

I issued a provisional decision on this complaint in February 2022. Both parties have received a copy of that provisional decision, but for completeness I include an extract from the decision below. I said;

*“Did 118 118 Money carry out proportionate checks?”*

*I can see that 118 118 Money asked Ms M about her income and expenditure when she applied for the loan in June 2014. It also carried out a credit search.*

*118 118 Money has provided a screen shot of Ms M’s loan application and the figures it recorded down, declared by Ms M. It has recorded her income to be £1000 and her expenditure as £30. It has then provided the credit search results that it gathered. There are credit commitments within these search results that come to a higher amount than the £30 expenditure declared by Ms M.*

*118 118 Money has retrospectively assessed the loan’s affordability for Ms M based on its own affordability calculator. But this is not what it did at the time that it granted the loan and although it says it didn’t just rely on what Ms M told it, it hasn’t been able to provide anything that shows what else it did do at that time.*

*It is clear to me that Ms M’s expenditure at the time was not £30. As well as having living costs and essential expenditure she also had an additional loan repayment and credit cards to repay as well. I am minded to think, when I look at all this that the checks 118 118 Money carried out were not proportionate. I think it would have wanted to carry out further checks to assure itself that Ms M would be able to repay the loan in a sustainable way over the 12-month term especially as she had a low monthly income. I think it ought to at this stage looked to have carried out a complete review of Ms M’s finances.*

*As I can’t see that this 118 118 Money did do this, I don’t think that the checks it carried out before providing Ms M with her loan were reasonable and proportionate.*

*Did 118 118 Money make a fair lending decision?*

*I’ve concluded the checks 118 118 Money carried out weren’t proportionate and that they needed to do more. But I don’t need to look into what it would have seen if it had carried out*

*proportionate checks, because I don't think 118 118 Money made a fair lending decision when it lent to Ms M anyway, based on what it had in front of it.*

*I say this because when I look through the credit search results that 118 118 Money would have had in front of it, I can see that Ms M was already committed to credit totalling £165.33 a month. This was in relation to a monthly instalment on a hire purchase account and minimum payments on credit cards.*

*So, with the addition of the repayment from this loan of £117.39, in total Ms M would need to repay around £282.72 in credit repayments a month. This represented a significant part (more than 28%) of her income. Ms M had declared to it that she was receiving a fairly low monthly income and I think on balance, a significant payment to credit along with her living expenses would mean that in all likelihood this loan was not affordable for her.*

*I think on balance, 118 118 Money ought to have realised it was unlikely that she would be able to sustainably repay her loan over the 12 month term. And, in these circumstances, 118 118 Money should reasonably have concluded that it was not fair to lend to Ms M.*

*As Ms M has been indebted with a high amount of interest and charges on the loans that she shouldn't have been provided with, I'm satisfied that she has lost out as a result of what 118 118 Money did wrong.*

*So, I think 118 118 Money needs to put things right."*

I asked both parties to let me have any comments, or additional evidence, in response to my provisional decision. 118 118 Money responded and said it agreed with the provisional decision. Ms M didn't respond.

### **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.

Both parties have not made any further points. So, as neither party has anything further to add, I don't see any reason to depart from my findings within my provisional decision. With that being the case, 118 118 Money now needs to put things right.

### **Putting things right**

In line with this Service's approach, Ms M shouldn't repay more than the capital amount she borrowed for the loan. With this in mind, 118 118 Money should:

- add up the total amount of money Ms M received as a result of being given loan. The payments Ms M made should be deducted from this amount. Any payments made after the total repaid exceeds the amount Ms M was given should be treated as overpayments and refunded to her;
- add interest at 8% per year simple on any overpayments from the date they were paid by Ms M to the date of settlement†; remove any adverse information placed on Ms M's credit file because of the loan.

\*HM Revenue & Customs requires 118 118 Money to take off tax from this interest. 118 118 Money must give Ms M a certificate showing how much tax it's taken off if she asks for one.

### **My final decision**

My final decision is that I uphold Ms M's complaint and direct Madison CF UK Limited to put things right as described above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms M to accept or reject my decision before 18 April 2022.

Mark Richardson  
**Ombudsman**