

## **The complaint**

Mr B complains that Madison CF UK Limited ("Madison"), trading as 118 118 Money, were wrong to provide him with credit he couldn't afford to repay.

## **What happened**

Madison approved Mr B's application for a credit card in August 2021. The credit limit was set at £1,200.

Mr B says the credit card should never have been supplied as the credit was unaffordable.

Madison initially disagreed, they thought that the checks they had conducted showed that Mr B did have enough disposable income to afford to repay the credit sustainably.

Our investigator didn't agree, she thought the credit file showed signs that Mr B was already struggling financially at the time of his application. He had other credit cards in long standing repayment plans. The investigator thought Madison should therefore refund any interest and charges Mr B had incurred as a result of being provided with the card, but she thought Mr B had had the benefit of the capital so she didn't think it would be fair to refund that as well.

Madison agreed but Mr B didn't. He said if the card hadn't been provided he wouldn't have developed the debt he now had. Mr B therefore asked for a final decision by an ombudsman.

## **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 would agree that Madison shouldn't have approved Mr B's application for credit. I think the checks they completed were proportionate at the time of application, but I think there were clear signs from those checks that Mr B was struggling financially as he was in two separate payment plans to other credit card providers. I think it should have been clear at the time of application that Mr B would be unlikely to be able to manage further credit card commitments when he was already struggling with the ones he had. So, I think the credit was unaffordable.

In those circumstances we usually tell the business to refund any interest, charges, and insurance the consumer may have incurred as a result of the lending decision. But we don't ask the business to refund the spending on the account as the consumer has had the benefit of that spending. Whilst I understand Mr B's concerns I'm afraid I think that's the case here and, whilst I'm upholding the complaint, I'm not asking Madison to refund the spending on the account.

## **Putting things right**

As I don't think Madison ought to have opened the account, I don't think it's fair for it to be able to charge any interest or charges under the credit agreement. But I think Mr B should pay back the amounts he has borrowed. Therefore, Madison should:

- Rework the account removing all interest, fees, charges, and insurances (which have not already been refunded) that have been applied.
- If the rework results in a credit balance, this should be refunded to Mr B along with 8% simple interest per year\* calculated from the date of each overpayment to the date of settlement. Madison should also remove all adverse information regarding this account from Mr B's credit file.
- Or, if after the rework there is still an outstanding balance, Madison should arrange an affordable repayment plan with Mr B for the remaining amount. Once Mr B has cleared the balance, any adverse information in relation to the account should be removed from his credit file.

\*If HM Revenue & Customs requires Madison CF UK Limited to deduct tax from any award of interest. It must give Mr B a certificate showing how much tax has been taken off if he asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

### **My final decision**

I uphold this complaint and direct Madison CF UK Limited to put things right in the manner set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 8 September 2022.

Phillip McMahon  
**Ombudsman**