

## **The complaint**

Ms S complains that Madison CF UK Limited (trading as 118 118 Money) acted irresponsibly by granting her a loan that was unaffordable for her. She's also raised concerns about how Madison has dealt with her when she made it aware that she was struggling to make her repayments.

## **What happened**

In mid-2021, Ms S took out a loan with Madison for £1,000. It was to be paid off over 12 months with repayments set at £111.19 meaning that Ms S was required to pay back a total of £1,334.28.

Ms S later complained to Madison that it had lent to her irresponsibly. She didn't believe it had carried out proper checks to ensure she could afford the loan. She thought that if it had, Madison would have seen she had a gambling problem. She also raised concerns about how Madison had dealt with her requests to reduce her repayments. She said she'd emailed to explain her position, but it hadn't responded. The only time she'd been able to get through to Madison by phone, she was on there for a long time and felt pressured to agree to pay the full instalment amounts.

Madison said it had asked Ms S a number of questions about her income and expenditure, personal circumstances and employment details when she applied for the loan. It also used reasonable 'average figures' for income and expenditure and information from Ms S's credit file. It said all the loan details were explained to Ms S and she was asked if the loan was affordable during the application process. Madison said it was satisfied it had acted correctly in approving Ms S's loan application.

Madison said that it had recently set up a three month payment plan for £50 a month for Ms S. It acknowledged that there had been delays in responding to Ms S's emails and live chat and in setting up the arrangement for her. Madison apologised for this but disagreed that Ms S was pressured into making a promise to pay amounts that she could not afford.

Madison offered Ms S £75 for the inconvenience caused by the delay in responding to her emails and setting up the payment arrangement. It asked that she contact Madison before her three month payment arrangement ended to discuss the best solution going forward.

Ms S remained unhappy and asked our service to consider her complaint. She said her main concern was about the irresponsible lending. She was looking for a substantial reduction in interest being charged for the loan and a lower monthly repayment.

Our investigator looked into Ms S's concerns but didn't think her complaint should be upheld. The investigator concluded that the information Ms S had provided on her application along with what appeared on Madison's credit check indicated that the lending was affordable. She didn't think it would have been necessary for Madison to ask for bank statements or ought to have been aware of Ms S's gambling.

Our investigator thought the £75 Madison had paid Ms S was fair compensation for the customer service issues she'd experienced. She didn't think there was anything to suggest Madison had pressured Ms S into paying more than she could afford. She suggested Ms S contact Madison about another payment plan as it had said in the final response to her complaint.

Ms S disagreed with our investigator's view. She said that she was in financial difficulties when she took out the loan and got the money within 20 minutes of applying for it. She didn't think Madison had done proper affordability checks. She said she had payday loans. She was paying them off to get further loans. She didn't think her credit rating was sufficient for Madison to have lent £1,000. Ms S said complaints she'd made to other loan companies had been upheld with a drastically reduced balance with payment plans agreed. So, the complaint has been 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.

Having done so, I've decided not to uphold Ms S's complaint. I'll explain why.

#### *Lending decision*

The relevant rules, regulations and guidance required Madison to carry out reasonable and proportionate checks to ensure Ms S could afford to repay the loan in a sustainable manner.

The checks needed to be borrower-focused. It wasn't enough for Madison to think only about the likelihood of getting its money back. It also had to ensure that making the repayments wouldn't cause Ms S undue difficulty or have adverse consequences for her.

There isn't a set list of checks that lenders need to carry out, but they should be proportionate, taking a number of factors into consideration. These factors include the amount, type and cost of the credit as well as the personal circumstances of the consumer.

Madison gathered information from Ms S before it agreed the loan and also checked her credit file. On her application, Ms S gave her monthly income as £1,682. Madison used information provided by a credit reference agency to validate this.

Ms S said her total monthly outgoings were £1,122 which consisted of £207 for 'mortgage/rent', £449 for 'unsecured credit' and £465 for 'other'. Ms S has told us that the 'other' was made up of approximately £130 for food, £140 for utilities, £100 for council tax and £100 for a service charge on her flat.

Madison says it didn't solely rely on the income and expenditure figures Ms S had provided, it also used reasonable 'average figures'. In addition to this Madison says it used credit expenditure amounts from Ms S's credit file.

The information from Ms S's credit file indicated that her credit commitments were higher than she'd stated on her application, at around £539 a month for loan repayments. She also had credit card debt of around £1,370.

After taking into account Ms S's existing credit commitments, the outgoings declared on her application and the repayments for the Madison loan, Ms S would have been left with a disposable income of almost £300 a month. So, I think it was reasonable for Madison to have concluded that the lending was affordable.

There's nothing else on Ms S's credit file that I think should have given Madison cause for concern. There were no County Court Judgments. Although there were defaults showing on some of her accounts, none of these had been applied within the previous 12 months. Ms S has mentioned a reliance on payday loans. However, there were no recent payday loans showing on the credit file.

I appreciate Ms S feels that if Madison had done more thorough checks, it would have seen she'd made gambling transactions. But Madison could only make its decision based on information it had available at the time. And I don't think proportionate checks would have extended to Madison asking Ms S to provide it with her bank statements.

I think Madison's checks were reasonable and proportionate in the circumstances. And these suggested the loan was affordable. So, I don't think Madison acted irresponsibly when it granted Ms S the loan.

### *Customer service*

Madison has acknowledged delays in responding to Ms S's emails and live chat messages, which meant it took almost four months to set up a payment arrangement.

Ms S has also commented that she felt pressured to make payments she couldn't afford. But Madison says the information she was given relates to its processes, which meant that it wasn't able to update her payment schedule.

It's possible this wasn't explained to Ms S clearly enough. However, Madison did agree to set up a payment arrangement for Ms S and in its final response to her complaint, it advised her to contact it before the arrangement expired to discuss the best solution for her going forward. So, I think Madison has considered Ms S's financial difficulties and has acted positively and sympathetically. And I think the £75 it's paid Ms S is fair compensation for the distress and inconvenience she experienced because of the customer service she received from Madison.

I know my answer will be disappointing for Ms S, but I don't require Madison to do anything further in respect of this complaint. However, I would like to remind Madison of its duty to continue to treat Ms S positively and sympathetically if she is still experiencing financial difficulties.

### **My final decision**

For the reasons I've explained, I don't uphold Ms S's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms S to accept or reject my decision before 5 July 2022.

Anne Muscroft  
**Ombudsman**