

The complaint

Miss V complains that the loan she had from Madison CF UK Limited (trading as 118 118 Money) was unaffordable to her.

What happened

Miss V borrowed £1,000 from 118 118 Money on 1 May 2017. She needed to repay £96 per month for 24 months with the final repayment due on 15 April 2019. 118 118 Money sold the debt to a third party on 25 May 2018.

Miss V says that she was in a poor financial situation before 118 118 Money approved the loan. She says she had to take out multiple short-term loans to make the repayments, but this led to the loan being sold to a debt collector.

118 118 Money says it asked Miss V about her income and expenditure, her personal circumstances, and her employment details. It says it used industry standard verification checks, which included the validation of her income, and that Miss V was asked to confirm that she felt the repayments were affordable. 118 118 Money says it also checked Miss V's declared credit commitments against her credit file and was satisfied that the loan application was correctly approved.

Our adjudicator did not recommend the complaint should be upheld. She was satisfied that 118 118 Money had carried out proportionate checks and there was nothing in the available information to indicate the repayments were unsustainable for her.

Miss V requested a final decision from an ombudsman.

My provisional findings

I issued a provisional decision to Miss V and to 118 118 Money on 22 April 2022. I've summarised my findings:

- I didn't find the checks carried out by 118 118 Money went far enough in the circumstances because:
 - The loan was for a car, to be repaid over 24 months, and 118 118 Money needed to ensure the repayments were sustainable for that period;
 - Miss V's credit file showed that her existing monthly credit commitments represented about 44% of her verified income;
 - 118 118 Money's affordability calculation was based on Miss V's self-declared expenditure which had not been verified;

- The presence of multiple short-term loans and cash advances on her credit file were clear indications that Miss V might already be struggling financially.
- So I had a look at Miss V's bank statements from the time as a reasonable proxy for what proportionate checks may have shown. From these I saw that:
 - Miss V was paying an additional £25 per month for car finance that wasn't yet reflected on her credit file;
 - She had regular expenditure of around £90 on items she hadn't declared such as a mobile phone and television services;
 - Miss V also spent at least £150 per month on public transport – although I appreciated those costs may be substituted for petrol and parking costs following the car purchase;
 - Her spend on food was at least £40 more than the £30 she'd declared;

Taking everything into account, Miss V would have had less than £100 of disposable income each month once she'd made the repayment. I considered this, the fact she'd need to spend over half her income on credit commitments, and her reliance on short-term lending and cash advances, should have indicated to 118 118 Money that further lending was irresponsible and that the repayments were unlikely to be sustainable for 24 months. Indeed, I noted that Miss V only made the first three repayments on time before her direct debits started being returned.

So my provisional decision was that I upheld Miss V's complaint.

Miss V responded to accept my provisional decision and had no further information to add.

118 118 Money did not respond to the 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.

As neither party provided any additional information, I see no reason to depart from my provisional decision.

Putting things right

In deciding what redress 118 118 Money should fairly pay in this case I've thought about what might have happened had it refused to lend to Miss V, as I'm satisfied it ought to have.

Clearly there are a great many possible, and all hypothetical, answers to that question.

For example, having been declined this lending Miss V may have simply left matters there, not attempting to obtain the funds from elsewhere. If this wasn't a viable option, she may have looked to borrow the funds from a friend or relative – assuming that was even possible.

Or, she may have decided to approach a third-party lender with the same application, or indeed a different application (i.e. for more or less borrowing). But even if she had done that,

the information that would have been available to such a lender and how they would (or ought to have) treated an application which may or may not have been the same is impossible to now accurately reconstruct. From what I've seen in this case, I certainly don't think I can fairly conclude there was a real and substantial chance that a new lender would have been able to lend to Miss V in a compliant way at this time.

Having thought about all of these possibilities, I'm not persuaded it would be fair or reasonable to conclude that Miss V would more likely than not have taken up any one of these options. So it wouldn't be fair to now reduce 118 118 Money's liability in this case for what I'm satisfied it has done wrong and should put right.

My final decision

My decision is that I uphold this complaint. Madison CF UK Limited (trading as 118 118 Money Limited) should buy the debt back if it is able to do so and then take the following steps. If 118 118 Money can't buy the debt back, then it should liaise with the new debt owner to achieve the results outlined below:

- Add up the total amount of money Miss V received as a result of having been given the loan. The repayments Miss V made should be deducted from this amount.
- If this results in Miss V having paid more than she 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 Miss V.
- Remove any adverse information recorded on Miss V's credit file about the loan.

*HM Revenue & Customs requires 118 118 Money to deduct tax from this interest. 118 118 Money should give Miss V a certificate showing how much tax it's deducted, if she asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss V to accept or reject my decision before 20 June 2022.

Amanda Williams

Ombudsman