

The complaint

Mr Q complains that Madison CF UK Limited (trading as 118118 Money Limited) was irresponsible to lend to him.

What happened

Mr Q had one loan from 118118 Money on 6 August 2018. He borrowed £3,000 and needed to repay £236.11 per month for 24 months. The loan was repaid on 3 August 2020.

Mr Q says that the repayments were unaffordable, and he got into further debt and suffered financial hardship as a result of the loan.

118118 Money says it asked Mr Q about his income and expenditure, the reason for the loan and his employment details. It says it used industry standard verification checks and that Mr Q was asked to confirm that he felt the repayments were affordable. 118118 Money says it's satisfied that the loan application was correctly approved.

Our adjudicator did not recommend the complaint should be upheld. He was satisfied that 118118 Money carried out proportionate checks and that there was nothing to indicate the loan repayments were unsustainable.

Mr Q disagreed with the adjudicator's view and requested a referral to an ombudsman.

My provisional findings

I issued a provisional decision to Mr Q and to 118 118 Money on 27 April 2022. I've summarised my findings:

- I considered 118 118 Money's checks should have gone further because:
 - The loan was for a term of 24 months and 118118 Money needed to ensure the repayments were sustainable for that period;
 - Mr Q's credit file indicated that he might already be struggling financially:
 - Two payment arrangements;
 - Multiple cash advances;
 - A credit card over its limit;
 - Two defaulted accounts;
 - It was unlikely Mr Q would have been in a payment arrangement for two credit cards, with a combined balance of £2,594, if his disposable income was £1,700, as calculated by 118 118 Money;
- I had a look at Mr Q's bank statements from the time, as a reasonable proxy for what proportionate checks would have shown:

- Mr Q's income was averaging around £1,900 per month;
 - His regular expenditure, excluding food and credit, was at least £1,400;
 - Mr Q's minimum repayments on his credit cards were over £100;
 - Mr Q went overdrawn within days of being paid each month and incurred over £20 per month in fees;
 - He was gambling on average £260 per month in the two months preceding the loan;
- I was satisfied proportionate checks would have indicated to 118 118 Money that the lending was unsustainable because:
 - Mr Q was likely to have less than £100 per month, after he'd made the repayment, and assuming no spend on gambling.
 - This meant Mr Q had very little spare money for unforeseen expenses and made it likely the repayments would be unsustainable for 24 months;
 - Mr Q's spending on gambling appeared to be a compulsion and, therefore, I find it would have been irresponsible to lend him money to potentially fuel his addiction;
 - I accepted that Mr Q used almost half of the loan to make large repayments towards two of his credit cards, but I could see that the majority of the remainder was spent on further gambling.

In summary, I found that 118118 Money was irresponsible to have approved the loan, so my provisional decision was that I upheld Mr Q's complaint.

Mr Q responded to accept my provisional decision.

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.

I outlined the relevant rules, guidance and good industry practice in my provisional decision, so I won't repeat them here.

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

My final decision

My decision is that I uphold this complaint. Madison CF UK Limited (trading as 118 118 Money Limited) should:

- A. Add together the total of the repayments made by Mr Q towards interest, fees and charges on the loan;

- B. Calculate 8% simple interest* on the individual payments made by Mr Q which were considered as part of "A", calculated from the date Mr Q originally made the payments, to the date the complaint is settled.
- C. Pay Mr Q the total of "A" plus "B";
- D. Remove any adverse information recorded on Mr Q's credit file in relation to the loan;

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr Q to accept or reject my decision before 23 June 2022.

Amanda Williams
Ombudsman