

The complaint

Mr F, through a representative, says Madison CF UK Limited, trading as 118 118 Money, irresponsibly lent to him.

What happened

This complaint is about a 24-month instalment loan for £2,000 that 118 118 Money provided to Mr F on 6 April 2016. The monthly repayments were £155.40 and the total repayable was £3,729.60.

Mr F says he was struggling and had no choice but to take out this loan.

Our investigator upheld Mr F's complaint and thought 118 118 Money shouldn't have given the loan. 118 118 Money disagreed, saying the assessment is disproportionately focused on two old, low-balance defaults whilst there is no mention of a more recent default that was now settled. It asked for an ombudsman's review, and so the complaint was passed to me.

I reached a different conclusion to the investigator, so I issued a provisional decision. An extract follows and forms part of this final decision. I asked both parties to send any comments or new information by 27 June 2022.

Extract from my provisional decision

118 118 Money has provided evidence to show that before lending it asked for some information from Mr F. It asked for his monthly income, his housing costs and his general living costs. It completed an income verification check with a third-party. It carried out a credit check to understand Mr F's credit history and his existing credit commitments. It asked about the purpose of the loan which was a holiday. Based on these checks 118 118 Money thought it was fair to lend.

I think these checks were proportionate given the term of the loan, the stage in the lending relationship and the amount of the monthly repayment relative to Mr F's income. The lender's checks showed Mr F would have around £530 monthly disposable income after taking on this loan. He was on a relatively low income (£1050), but 118 118 Money had verified this, and he was living with his parents so it was plausible his outgoings were low. His credit check showed virtually no debt – only £139 and four active accounts.

Our investigator pointed to three defaults as a reason not to lend, but I disagree. Two were from 2013 and 2014 and for less than £50 combined. They were telecoms accounts. Mr F wasn't making repayments to reduce these debts, but I am not persuaded this was an affordability issue given the values involved. The third default was for £249 but Mr F had settled this in full in late 2015. So I don't think any of these historic low-value defaults ought to have made 118 118 Money think there was a risk this loan would not be sustainably affordable for Mr F.

It follows I don't currently think 118 118 Money was wrong to give this loan to Mr F.

I've also thought about whether 118 118 Money acted unfairly in some other way and I haven't seen any evidence that it did.

118 118 Money accepted my provisional decision. Mr F's representative acknowledged receipt, but did not provide any comments from its client.

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.

We've set out our general approach to complaints about unaffordable/irresponsible lending - including all of the relevant rules, guidance and good industry practice - on our website.

As neither party sent in any new comments or evidence it follows I have no reason to change the findings or outcome I set out in my provisional decision. For the reasons set out above I don't find 118 118 Money was wrong to lend to Mr F.

My final decision

I am not upholding Mr F's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 26 July 2022.

Rebecca Connelley
Ombudsman