

The complaint

Mr S complains that Madison CF UK Limited trading as 118 118 Money lent to him when it shouldn't have done. He says he couldn't afford the loans.

What happened

Mr S was lent two loans by 118 118 Money. The adjudicator gave a detailed breakdown on the lending history and so I won't repeat that here.

Loan 2 was used to repay loan 1 and to provide further borrowing of £2,550, the information available shows there's still a balance outstanding on this loan.

118 118 Money didn't uphold Mr S' complaint but when he referred it to this service, our adjudicator thought 118 118 Money lent both loans to Mr S when it shouldn't have.

As 118 118 Money didn't fully respond or agree with the adjudicator's view, the complaint has been passed to me for a 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.

118 118 Money's checks at the time of loan 1 showed Mr S was utilising two credit card accounts, one of which was over its credit limit. Mr S was also utilising the overdraft facility on his account. The results of the credit file showed Mr S had a loan with another high cost credit provider and repaying a car finance loan.

Bearing in mind Mr S' use of credit 118 118 Money should have been curious about Mr S financial circumstances particularly as he'd declared a large income but was still borrowing often. And so I think 118 118 Money should have taken its checks further.

A similar level of checks should have been carried out before lending loan 2. Mr S was borrowing to repay loan 1 and taking out further borrowing that was more than two and a half times his previous loan. Loan 2 was for 60 months, a significantly longer period than the first loan and the results of the credit search for this loan showed that Mr S was still using credit from different sources including multiple high cost credit lenders, credit cards, mail order account and the overdraft facility. Mr S had a delinquency recorded on his credit file about seven months before this loan.

118 118 Money should have been looking to build a clear picture and gain a good understanding of Mr S' financial circumstances before lending either one of these loans to him.

Mr S has provided copies of his bank statements from around the time of the loans which I've used to reconstruct his circumstances at the time. From what I can see, Mr S' living costs were significantly higher than he'd declared to 118 118 Money, his rent for example was around £1,325 including his regular direct debit payments, transport, food and utilities he'd have been paying over £2,000 for his living costs. Mr S was also due to pay around £902 towards his regular credit commitments including this loan – nearly a third of his income.

I can also see that Mr S was largely living in his overdraft and wasn't maintaining a credit balance without needing to borrow further.

Overall, I don't think the lending was sustainable for Mr S and 118 118 Money shouldn't have lent and it needs to put things right.

Putting things right – what 118 118 Money needs to do

- remove all interest and charges applied to both loans;
- treat all payments made by Mr S as payments towards the capital amount of both loans;
- if this results in an overpayment pay interest of 8% simple a year on any overpayments from the date they were paid (if they were) to the date of settlement†;
- if there's still a balance outstanding, 118 118 Money should come to a suitable repayment arrangement with Mr S.
- remove any negative information about the loans from Mr S's credit file.

† HM Revenue & Customs requires 118 118 Money to take off tax from this interest. 118 118 Money must give Mr S a certificate showing how much tax it's taken off if he asks for one.

My final decision

For the reasons given above, I uphold this complaint and direct Madison CF UK Limited to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 7 September 2022.

Oyetola Oduola
Ombudsman