

The complaint

Miss J complains that Madison CF UK Limited, trading as 118 118 Money ("118 118") approved loans for her that she couldn't afford to repay.

What happened

Miss J was approved for two loans by 118 118, as follows:

Loan	Opened	Amount	Term	Repayments	Total
1	7/12/2019	£2,000	24 months	£122.91	£2,949.84
2	20/6/2020	£2,667.07	24 months	£161.39	£3,873.36

Miss J told us she didn't feel either of the loans were affordable for her.

118 118 disagreed. They explained that they'd asked Miss J about her income and expenditure before they provided each loan. They'd also considered information from her credit file and had used statistical information to validate the expenditure Miss J claimed. Having done that they explained that they found no reason to suggest the loans were unaffordable for Miss J.

Our adjudicator agreed with 118 118 and didn't think there was evidence the loans had been unaffordable. But Miss J was still dissatisfied. She explained that 118 118 had suggested they'd call her before approving either of the loans and if they had they would have realised together that the loans weren't affordable. She said 118 118 simply approved the loans and therefore didn't complete adequate checks.

The complaint has therefore been referred to me, an ombudsman, for a final 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.

Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website. I've had that approach in mind when considering what's fair and reasonable here.

Loan 1

I don't think 118 118 completed reasonable and proportionate checks before approving this loan. I say that because the credit file they reviewed showed them that Miss J had been declared bankrupt in June 2017 and although it appeared from her credit file that her position was improving, she had made several new credit applications in the last six months and her revolving credit was close to being fully utilised.

I think 118 118 should have done more to establish if the loan they were providing was affordable. That could have been by calling Miss J as she's suggested they promised to do. They didn't need to ask for bank statements, but I think in the absence of any other information bank statements are the best way to establish what 118 118 would have found if they'd asked for more information about Miss J's income and expenditure.

I asked Miss J for bank statements for the period ahead of the loan application and she's been able to provide a statement from her main account for the month before the application. On that limited information I don't think there is anything to suggest the first loan was unaffordable. The statement shows Miss J's income was in line with what she'd told 118 118 and was about £3,500 net per month. Her outgoings to things like phone, broadband, loans, car expenses, TV, utilities, and insurance were about £1,100 per month. There's no evidence from the statement, that Miss J was incurring other significant expenses that would suggest she didn't have enough disposable income to afford the £122.91 loan repayments she would be asked to pay.

So, I don't think loan 1 was irresponsibly provided.

Loan 2

118 118 completed similar checks when they approved the second loan and I think, at that point, that the checks were proportionate. The credit file suggested Miss J's financial position was continuing to improve. There were no defaulted accounts in the previous 12 months; she was only utilising about 50% of the credit available to her on revolving credit; and there had been no missed payments on her credit agreements in the last 12 months. Miss J had reported she was still benefitting from an income of about £3,500 and hadn't changed the expenditure details she'd provided to the business. I don't think the business therefore needed to complete any further checks such as those that may have been achieved through a call with Miss J.

I think having reviewed that information it was fair for the business to consider that the second loan was affordable for Miss J and I don't therefore think the lending was irresponsible.

My final decision

For the reasons I've given above I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss J to accept or reject my decision before 3 January 2023.

Phillip McMahon
Ombudsman