

## **The complaint**

Mr L complains that Madison CF UK Limited, trading as 118 118 Money ("118 118") provided him with credit he couldn't afford to repay.

## **What happened**

Mr L says that two loans he was provided with by 118 118 were unaffordable for him. The details of the loans are as follows:

Loan 1 – approved 30 March 2019 for £1,000 and repayable through 12 equal payments of £101.62.

Loan 2 – approved on 4 December 2020 for £2,000 and repayable through 24 equal payments of £157.77.

Since Mr L has referred his complaint to this service 118 118 have agreed that the first loan shouldn't have been provided and was unaffordable for Mr L. But they don't agree that the second loan was. They've explained that they completed reasonable and proportionate checks before approving that loan and that they asked Mr L for details of his income and expenditure. They've also provided a copy of the credit file they reviewed and, all told, they say it was clear that repayments were sustainably affordable for Mr L.

Our investigator agreed with 118 118 about loan 2 but suggested they refund all charges and interest that had accrued on the first loan.

As Mr L didn't agree the complaint has 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 this approach in mind when considering what's fair and reasonable here.

There's no dispute here that loan one was unaffordable and 118 118 shouldn't have provided it. I'll come back to that later.

I think 118 118 completed proportionate checks before they approved the second loan. They asked Mr L about his income and expenditure and they also considered statistical information to ensure the expenditure being declared was sufficient. The money being loaned wasn't particularly large given Mr L's stated income and I don't think it would therefore be proportionate to expect 118 118 to verify his income or review his bank statements. The information it gathered suggested that after loan 2 was taken into account Mr L would be repaying about £287 a month towards his credit commitments and having

taken his income of £1666 and expenditure into account I don't think 118 118 were unreasonable to consider the loan affordable.

The credit file didn't show any signs of financial difficulty either. Whilst Mr L had exceeded the credit limit on a credit card in the preceding month he had quickly brought that account back up to date with a large payment, and he hadn't missed any payments on his credit commitments for six months or had any County Court judgements or defaults registered against him in recent times.

I don't therefore think there is evidence loan 2 was unaffordable. So, I'll go on to consider what action 118 118 should take in relation to the unaffordable first loan.

### **Putting things right**

The first loan was repaid in 2019 but as I don't think 118 118 should have approved that loan I don't think it's fair for it to charge any interest or charges on it. However, Mr L has had the benefit of the capital he lent so I think he should pay that back.

While I think it's fair that Mr L's credit file is an accurate reflection of his financial history, I don't think it's fair that he should be disadvantaged by 118 118's decision to lend to him irresponsibly. Therefore, I think 118 118 should remove any negative information they have recorded on Mr L's credit file in relation to this loan.

118 118 should:

- Refund any interest and charges Mr L paid on the first loan and add 8% simple interest\* per year calculated from the date the overpayments were made until the date of settlement).
- Remove any adverse information recorded on Mr L's credit file in relation to this loan

\*If HM Revenue & Customs requires the business to deduct tax from this interest. They should give the consumer a certificate showing how much tax they've deducted, if the consumer asks for one.

### **My final decision**

I uphold this complaint in part and direct Madison CF UK Limited to put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 13 October 2022.

Phillip McMahon  
**Ombudsman**