

The complaint

Mr D complains that Madison CF UK Limited trading as 118 118 Money was irresponsible in its lending to him.

What happened

In December 2020, Mr D was provided with a £1,000 fixed sum loan by 118 Money. The loan term was 18 months and Mr D was required to make monthly repayments of around £84 with a total amount repayable of around £1,516. He says that 118 Money didn't carry out proportionate checks before lending and had it done so it would have realised the lending wasn't affordable

118 Money says that before the loan was provided it carried out a credit check and asked Mr D about his income and expenses. It says the information received was then checked against reasonable 'average' figures and information from Mr D's credit file. It says Mr D confirmed that the loan was affordable for him.

Our adjudicator didn't uphold this complaint. He thought the checks carried out by 118 Money were reasonable and that these didn't raise concerns that meant the lending shouldn't have been provided.

Mr D didn't agree with our adjudicator's view.

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 general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

118 Money needed to carry out proportionate checks to be able to understand whether the lending was sustainably affordable for Mr D. As our adjudicator explained, the rules don't set out any specific checks which must be completed to assess creditworthiness. But checks should be reasonable and proportionate to the type and amount of credit.

Before lending to Mr D, 118 Money asked him about his income and expenses and carried out a credit search. Mr D's application records him having a monthly income of around £1,600 and living in rental accommodation. His monthly expenses for rent, other credit commitments and other costs are recorded as totalling around £986. 118 Money says it checked the income and expenses information received. Having considered the loan repayment amounts compared to Mr D's monthly income and the duration and total size of the loan, I think the checks carried out were proportionate. I have therefore considered what the checks showed to see if these raised concerns that meant the lending shouldn't have been provided.

I have looked through the credit check results provided by 118 Money. These didn't show any county court judgments or insolvency records but did show that Mr D had a previous default. The details show the default was recorded in 2017. Mr D had two credit card accounts which he was managing but which were operating at their credit limits and two other loans. Having considered the information received from the credit check I do not find that this should have raised any serious concerns that meant further checks were needed or that the borrowing shouldn't have been provided.

The information in the credit check provided details of Mr D's payments to other credit providers. The total amount recorded was in line with the amount 118 Money had included in its assessment. 118 Money said it checked the other information provided and in this case I have nothing to suggest that it shouldn't have relied on the information provided in the application process. Therefore, as I think the checks carried out were proportionate and these suggested the loan repayments were affordable, I do not uphold this complaint.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 29 November 2022.

Jane Archer
Ombudsman