

The complaint

Miss D complains that Madison CF UK Limited trading as 118 118 Money lent to her when it shouldn't have.

What happened

118 118 Money lent Miss D two loans between January 2020 and April 2021, the details of the loans are as follows:

Loan number	Start date	Loan amount (£)	Term	Repayment (£)	End date
1	22/01/2020	1,200	12 months	122.90	01/02/2021
2	14/04/2021	5,000	36 months	221.10	29/03/2022

Miss D complained to 118 118 Money, but it didn't uphold her complaint, it said its lending decision was based on Miss D being able to afford the loan. Unhappy with that response, Miss D referred the complaint to this service where it was looked at by one of our adjudicators.

Our adjudicator thought 118 118 Money did enough before lending loan but thought 118 118 Money should have taken its checks further before lending loan 2. However, he said he hadn't seen enough evidence that further checks by 118 118 Money would have meant it shouldn't have lent to Miss D. So, he didn't recommend that the complaint should be upheld.

Miss D asked for an ombudsman to review her complaint. She said at the time of loan 1, she was on maternity leave and a low income. She said she had credit with other lenders and was struggling with a gambling problem.

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.

Before lending money to a consumer, a lender should take proportionate steps to understand whether the consumer could repay without borrowing further or suffering significant adverse consequences.

A lender should gather enough information for it to be able to make an informed decision on the lending. Although the guidance and rules themselves didn't set out compulsory checks, they did list a number of things a lender could take into account before agreeing to lend. The key thing was that any checks needed to be proportionate and had to take into account a number of different things, including things such as how much was being lent and when what was being borrowed was due to be repaid. A business should also take into account and react appropriately to what it knew about the consumer at the time it made its lending decision.

Did 118 118 Money carry out sufficient checks?

118 118 Money has provided details of the checks it carried out and from what I can see, it asked Miss D about her income and expenses and searched her credit file before both loans. I think given the loan amount and term of loan 1, the checks 118 118 Money did went far enough. The results of its checks also didn't reveal anything particularly concerning that should have prompted it to take its checks further, so I think it did enough before lending loan 1.

Looking at loan 2, I think given the increase in the loan amount within a short time and the length of the loan term, it would have been reasonable for 118 118 Money to take its checks further to get a better understanding of Miss D's financial circumstances before lending.

What would proportionate checks have shown?

Miss D has provided a copy of her bank statements from around the time and I've used this to build a picture of Miss D's circumstances at the time. From what I can see, Miss D credit commitments were similar to what the search into her credit file revealed. I can also see that in the two months prior to the lending, Miss D has some gambling transactions which on average was around £184. In my opinion these gambling transactions on their own weren't significant enough to cause 118 118 Money concern about Miss D's ability to repay the loan.

This is because the transactions were small compared to Miss D's income and they don't suggest Miss D was in an unsustainable financial position. The overall picture of Miss D's finances the time of loan 2 suggests she could afford the loan repayment over the term and I don't think 118 118 Money was wrong to lend.

I appreciate my finding will disappoint Miss D, but I hope my explanation goes some way to help her understand why I've reached these conclusions.

My final decision

For the reasons given above, I do not uphold this complaint or make any award against Madison CF UK Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss D to accept or reject my decision before 22 February 2023.

Oyetola Oduola
Ombudsman