

## **The complaint**

Miss J has said Madison CF UK Limited, trading as 118 118 Money (Madison), lent to her irresponsibly. Miss J said she was accepted for a credit card, and a loan, when Madison should have known these weren't affordable for her.

## **What happened**

In September 2019 Madison accepted Miss J's application for a credit card. The credit card allowed for spending up to a limit of £225. And an £8 monthly subscription was charged for the card.

Around a year later, in September 2020, Madison lent to Miss J again. It increased the limit on her credit card from £225, to £800. The monthly subscription fee increased to £25. It's my understanding the credit card is now closed.

Shortly after this, in December 2020, Miss J applied, and was accepted for a £2,000 loan with Madison. This loan agreement was for a period of 24 months – with Miss J due to repay £3,163.68, by the end of the term. This loan remains active.

Miss J feels Madison did the wrong thing by lending to her on these three occasions. She's said that if Madison had conducted sufficient checks when deciding whether to lend to her, it would have seen the lending was unaffordable.

Because Miss J was unhappy with the lending decisions made, she raised a complaint with Madison. It responded and said it was satisfied with its decision to accept Miss J's applications for credit. It explained it had completed checks to understand Miss J's creditworthiness, and to make sure Miss J could afford the credit applied for, before it lent to her.

Miss J remained in disagreement. So, she referred her complaint to this service, for an independent review.

Our investigator considered this complaint and didn't think it should be upheld. They considered that Madison had carried out proportionate checks when deciding whether to lend to Miss J. And those checks hadn't highlighted any concerns, which should have prompted Madison not to provide the credit.

Miss J didn't agree. Miss J raised that she was unemployed when taking the lending – so she couldn't understand how Madison had verified her income as being one which could afford the lending. Miss J also noted that the income, rent and outgoings Madison had provided to this service were wrong. Miss J reiterated that she considered the lending decisions were irresponsible.

As Miss J didn't agree, her complaint has been referred to me to decide.

I issued a provisional decision to the parties, detailing my intended decision. In this I said:

*"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.*

*Having done so, I'm intending on upholding Miss J's complaint in part.*

*When coming to my decision I've taken into account the relevant law, rules and guidance about irresponsible lending. Having considered these, I think Madison lent to Miss J fairly when it provided her with a credit card in September 2019. So, I don't intend on requiring it to do anything more in respect of that lending.*

*But I think Madison acted irresponsibly when it decided to lend to Miss J in September 2020 (credit card increase) and December 2020 (loan). So, I'm intending on requiring Madison to take action to put this right.*

*I've addressed the lending decisions separately below.*

### **September 2019 credit card**

*At the point Madison provided this credit card to Miss J, it was required to carry out a reasonable assessment of whether Miss J could afford the credit card repayments in a sustainable way. And, when carrying out checks to make sure this was the case, the checks had to be "borrower focused." So, this means Madison had to consider the impact the lending would have on Miss J – not just how likely it was that Madison would receive its money back.*

*Madison also had to make sure the checks completed were "proportionate" to the circumstances of the lending applied for. Checks could include a number of things, including – but not limited to – the particular circumstances of the borrower (e.g. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount/type/cost of the credit they are seeking.*

*I've looked at what checks Madison completed, and what information it gathered at the time of this lending.*

*And having done so, I'm satisfied Madison did make proportionate checks, in line with the above requirements, before agreeing to lend to Miss J in this instance. So, I don't think it did anything wrong here.*

*Madison considered Miss J's income and expenditure. It asked Miss J what her income was, and was told she was employed part-time, earning £1,772. Madison verified this information by undertaking a standard industry check, which confirmed the turnover in her bank account was consistent with her receiving this level of income. I've seen a copy of this check. And it did verify the income entering Miss J's account was consistent with what she had said. Miss J said this income wasn't correct. But I don't hold Madison accountable for this – it acted on what it was told and undertook reasonable checks to verify this.*

*Madison also asked Miss J her expenditure and took this into account when deciding whether lending up to the £225 limit was affordable.*

*Madison also looked at Miss J's credit file. I don't think there was anything within the credit file report at the time, that should have raised concerns for Madison. Miss J didn't have any defaults in the last 12 months, and the credit commitments on file were up to date. Based on the income and outgoings Miss J had given, and the credit file check, I think Madison acted fairly in concluding that Miss J had sufficient disposable income to pay the credit card in a sustainable way.*

*Given the amount Miss J was asking to borrow, and the checks Madison completed, I'm satisfied it acted proportionately, and in a borrower focused way when checking the credit card would be sustainable for Miss J. And given the information it saw when checking whether the credit card was affordable for Miss J, I think it made a fair decision to accept the application Miss J made.*

*So, I don't intend on requiring Madison to do anything more in respect of this lending decision.*

### **September 2020 credit card increase**

*However, as noted above, I think Madison acted irresponsibly by agreeing to increase Miss J's credit limit to £800, in March 2020.*

*I'm not persuaded that Madison completed proportionate, borrower focused checks at the point of this application. And I think the checks it did carry out should have highlighted some concerns about whether it was appropriate to lend in this instance.*

*Madison asked Miss J to confirm whether the income and expenditure she had disclosed in her previous application remained the same. And Miss J confirmed the information to still be accurate. But this time, I can't see that Madison did any standard verification checks on Miss J's income to check this was reflective of her situation – as it had this from the year before. And it didn't ask for any other information to verify Miss J's income, such as bank statements or payslips.*

*And whilst Miss J had confirmed some expenditure – this being her rent, some insurance, and council tax she had only committed to £100 for food. And detailed no utilities costs. I can't see Madison factored these sorts of costs into its considerations, when deciding if Miss J would be able to sustainably repay the credit card increase. So, I don't think it did proportionate checks to understand Miss J's financial situation, and whether she would be able to repay the credit increase sustainably.*

*Madison did complete a credit file check. I think this should have raised concerns and led Madison to seek additional information of Miss J, before deciding to lend.*

*I say this because Miss J's credit file suggested Miss J was struggling to manage her existing credit commitments. And so additional lending may have added to this struggle. The credit file showed Miss J had received a default on a credit card, around five months prior to this application. It also showed that Miss J was only £1 away from the limit on two of her credit cards, one which was the credit card already with Madison. And the balance to limit ratio on the report was showing as 364%, showing high credit card usage.*

*With this in mind, I've considered what I think additional checks in Miss J's financial circumstances would have shown. I appreciate that different checks show different things, and further checks, might not have extended to Madison looking at bank statements. But, in the absence of anything else, I've reviewed these to get an idea of what Madison would likely have discovered if it had asked Miss J some more information about her income, expenditure and financial situation.*

*Miss J's bank statement show that in the couple of months prior to the credit card increase she was living beyond her means and struggling to manage her financial situation. Her statements show she was at times using her overdraft on day-to-day expenses. And the statements show that Miss J wasn't receiving any obvious, regular, income, other than*

around £67.25 a week from DWP. She appears to have been receiving funds from friends and family to make ends meet.

Having considered the above, I think if Madison had carried out more proportionate checks it ought to have reasonably realised that Miss J most likely wouldn't be able to repay the credit card increase without undue difficulty or having to borrow from elsewhere.

Given that I think Madison lent to Miss J irresponsibly in September 2020, I'm intending on requiring Madison to take action to put this right.

Miss J had the benefit of the funds she was provided with, when taking this credit card increase. So, I don't intend on requiring Madison to refund the capital of this lending. But I think Madison should refund any additional interest, fees and charges Miss J paid as a result of the credit limit being increased.

And whilst I do think it's fair Miss J's credit file is an accurate reflection of her financial history; I don't think it's fair for her to be disadvantaged by Madison's decision to lend to her irresponsibly. So, I think Madison should remove any negative information recorded on Miss J's credit file, in relation to this lending.

### **December 2020 loan**

I also think Madison acted irresponsibly in agreeing to provide Miss J with the loan she applied for in December 2020. So, I'm also intending on uphold this element of Miss J's complaint.

I've thought about whether Madison completed proportionate, borrower focused checks at the point Miss J was applying for this credit limit increase. And I think it did carry out proportionate checks. But I think those checks should have raised concerns about whether the lending was affordable. And Madison should have asked more questions of Miss J as a result.

Miss J's credit file at this time shows her having had a default on a credit card 8 months prior. And a delinquency recorded 10 months earlier too. The credit file showed what Madison already knew – that it had increased her credit card limit recently. And it showed that Miss J then missed the November 2020 payment for this card. The credit file also showed Miss J going over the limit on another credit card, in October and November 2020. I think this information should have raised concerns about Miss J's situation, and led to more questions, to check the loan would be something Miss J could sustainably pay.

As above, I've thought about what additional checks would likely have shown Madison. In the absence of other evidence, I've also reviewed Miss J's bank statements for the months prior to applying for this loan. Again, to see what Madison would likely have discovered if had perhaps asked Miss J some more information about her income, expenditure and financial situation.

As with the previous bank statements, Madison would have seen Miss J's income wasn't as suggested. But was sufficiently lower – with the only regular, set income payments being from DWP. And it would have shown her living beyond her means and struggling to manage her financial situation – with reliance on bank transfers from family members to manage. I think if Madison had carried out more proportionate checks it ought to have reasonably realised that Miss J most likely wouldn't be able to repay the loan either without undue difficulty or having to borrow from elsewhere.

*Given that I think Madison lent to Miss J irresponsibly in December, I'm intending on requiring Madison to take action to put this right.*

*Miss J had the benefit of the funds she was provided with, when taking this loan. So, I don't intend on requiring Madison to write off the capital of this lending. But I think Madison should refund any interest, fees and charges added as a result of this credit, that shouldn't have been provided, so that a new starting balance – consisting of only the amount lent is left.*

*Madison should then deduct any Miss J has already payments made, from this new balance. If this results in Miss J having paid too much, then any overpayments should be refunded. 8% interest should be paid to Miss J on any overpayments, from the date they were paid, until the date of settlement, less any tax properly deductible.*

*And whilst I do think it's fair Miss J's credit file is an accurate reflection of her financial history; I don't think it's fair for her to be disadvantaged by Madison's decision to lend to her irresponsibly. So, I think Madison should remove any negative information recorded on Miss J's credit file, in relation to this lending."*

Miss J responded to my provisional decision and agreed with it. Madison responded and also agreed. It had confirmed that Miss J's account, which had been sold to a debt purchaser would be returned to them, to carry out the redress required. Madison also asked whether it should remove the negative information on Miss J's credit file, at the point the debts had been repaid. And I confirmed this to be the case.

### **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.

Having done so, I've decided to uphold this complaint in part.

There hasn't been any further comments or evidence from either party, to alter my findings on this complaint, or the reasoning for it. And so, my decision remains the same as that in my provisional decision, and for the same reasons.

### **My final decision**

Given the above, I require Madison CF UK Limited, trading as 118 118 Money (Madison) to:

- In terms of the loan provided in December 2020 - Madison should refund any interest, fees and charges added as a result of this credit, that shouldn't have been provided, so that a new starting balance – consisting of only the amount lent is left.  
Madison should then deduct any Miss J has already payments made, from this new balance. If this results in Miss J having paid too much, then any overpayments should be refunded. 8% simple interest per year\* should be paid to Miss J on any overpayments, from the date they were paid, until the date of settlement, less any tax properly deductible.
- In terms of the credit card increase provided in September 2020 - Madison should refund all interest and charges incurred on a balance above £225, along with 8% simple interest per year\* from the date the credit balance arose to the date of settlement.
- Remove any negative information recorded on Miss J's credit file, in relation to the credit increase provided in September 2020, and in relation to the loan provided in

December 2020, once the debt has been repaid.

\*HM Revenue & Customs requires Madison to deduct tax from this interest. Madison should give Miss J a certificate showing how much tax it's deducted, if she asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss J to accept or reject my decision before 24 February 2023.

Rachel Woods  
**Ombudsman**