

## The complaint

Mr W complains that Madison CF UK Limited trading as 118 118 Money irresponsibly lent to him. He says at the time he had a gambling addiction and had borrowed three loans before 118 118 Money approved his loans.

## What happened

118 118 Money lent Mr W two loans, the first in August 2020 and the second in April 2021. From the information provided, the loan details are as follows:

Loan number	Start date	Loan amount (£)	Term	Repayment amount (£)	End date
1	05/08/2020	4,000	36 months	178.28	12/04/2021
2	20/04/2021	5,000	36 months	225.91	outstanding

Mr W complained to 118 118 Money about both loans, but it didn't uphold his complaint. It said it hadn't done anything wrong by offering Mr W both loans. Mr W then referred his complaint to this service where it was looked at by one of our adjudicators.

Our adjudicator thought 118 118 Money wasn't wrong to lend loan 1 but thought it shouldn't have lent loan 2 and so she recommended redress for loan 2 only. 118 118 Money accepted the adjudicator's view and has offered to put things right.

Mr W didn't accept this view, he said he wanted the lending circumstances around loan 1 to be reviewed by an ombudsman. So, the complaint has been passed to me for a 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.

I've also taken into account the law, any relevant regulatory rules and good industry practice at the time the loans were offered.

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.

118 118 Money accepts it shouldn't have lent Mr W loan 2 and has offered to put things right on that loan in line with this service's recommendations, so as there isn't a continuing dispute on this loan, I've focussed my decision on the lending of loan 1.

Loan 1 was Mr W's first loan with 118 118 Money and so he had no previous borrowing history with it. 118 118 Money's checks showed Mr W earned £3,023 monthly and he declared living expenses of around £1,081 – it included things like his housing costs, food and insurance. At the time, I can see Mr W declared that he lived with his parents.

118 118 Money also searched Mr W's credit file and the results of the search did show he had credit with other providers, and it showed he'd been managing repaying these well. For example, I can see that he was below the limit on his credit cards and in most months, was repaying more than the minimum amounts.

I can also see that Mr W had some historic defaults on his account, but these had been settled and I won't have expected 118 118 Money to have declined lending to him simply because of these historic defaults.

Given that this was Mr W's first loan, and the repayment amount represented such a small portion of his declared income and I can't see that there was anything in the results from 118 118 Money's credit search that should have concerned it, I think the checks went far enough and those checks showed Mr W had sufficient income to repay the loan over the term without the need to borrow further.

I appreciate that Mr W has said he had a gambling addiction at the time and I can see that this is reflected in the bank statements he's provided, but as stated above, I think 118 118 Money's checks went far enough. The gambling addiction wasn't something Mr W told 118 118 Money about and this wasn't something that it found from what I consider to be reasonable checks in the circumstances.

In the circumstances, I don't think 118 118 Money was wrong to lend loan 1. It has accepted that it shouldn't have lent loan 2 and it needs to put things right for Mr W on loan 2.

### **Putting things right**

- remove all interest and charges applied to loan 2;
- treat all payments made by Mr W as payments towards the capital amount of the loan;
- as there's still a balance outstanding, 118 118 Money should come to a suitable repayment arrangement with Mr W.
- remove any negative information about loan 2 from Mr W's credit file;

† HM Revenue & Customs requires 118 118 Money to take off tax from this interest. 118 118 Money must give Mr W a certificate showing how much tax it's taken off if he asks for one.

### **My final decision**

For the reasons given above, I uphold Mr W's complaint in part and direct Madison CF UK Limited to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 8 March 2023.

Oyetola Oduola  
**Ombudsman**