

## **Complaint**

Mr S says Madison CF UK Limited (trading as “118 118 Money”) irresponsibly lent to him. He’s said the loans he was provided with were unaffordable and it would have been clear why if his bank statements had been requested.

## **Background**

This complaint is about two loans that 118 118 Money provided to Mr S from February 2020 onwards. Loan 1 was for £3,000.00 and was due to be repaid in 24 monthly instalments of £182.94. Loan 2 was provided in August 2020 and was for £3,949.86 and £2,499.86 from this loan were used to repay the outstanding balance on loan 1.

Our adjudicator didn’t think that 118 118 Money had done anything wrong when providing Mr S with these loans and so didn’t uphold the complaint. Mr S disagreed and so the complaint was passed to an ombudsman.

## **My provisional decision of 13 February 2023**

I issued a provisional decision – on 13 February 2023 - setting out why I intended to partially uphold Mr S’ complaint. I won’t copy that decision in full, but I will instead provide a summary of my findings.

I started out by saying that we’ve set out our general approach to complaints about unaffordable/irresponsible lending - including the key rules, guidance and good industry practice - on our website. And that I had used this approach to help me decide Mr S’ complaint.

I then explained that 118 118 Money needed to take reasonable steps to ensure that it didn’t lend irresponsibly. In practice this meant that it should have carried out proportionate checks to make sure Mr S could repay his loans in a sustainable manner.

These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and the consumer’s income and expenditure. With this in mind, in the early stages of a lending relationship, less thorough checks might be reasonable and proportionate.

But certain factors might point to the fact that 118 118 Money should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These factors include:

- the *lower* a customer’s income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- the *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);

- the *greater* the number and frequency of loans, and the longer the period of time during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

I went on to explain that there may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

118 118 Money said it agreed to Mr S' applications after he provided details of his monthly income and expenditure. It says it cross-checked this against information on a credit search it carried out on Mr S and this information suggested that Mr S would be able to make the repayments he was committing to. 118 118 Money said, in these circumstances it was reasonable to lend. On the other hand, Mr S said he was already in financial difficulty. I carefully thought about what Mr S and 118 118 Money said.

Loan 1 was Mr S' first loan with 118 118 Money. 118 118 Money did carry out external checks and didn't simply rely on what it was told. It carried out a credit search which didn't show anything too alarming. Bearing in mind the amount of the repayments, and Mr S' lack of any previous lending with 118 118 Money, I didn't think it was unreasonable for 118 118 Money to proceed on the basis of the information it obtained as, on the face of things, it appeared to be accurate. So I didn't think that it was unreasonable for 118 118 Money to have provided loan 1 to Mr S.

However, I did think that 118 118 Money ought to have carried out further enquiries into Mr S' circumstances when he applied for loan 2. I said this because he was approaching for a second loan a mere matter of months after loan 1. And the information on the credit check also suggested that Mr S' debts elsewhere had grown in the six months since loan 1 too.

So I thought that 118 118 Money ought to have obtained further information on Mr S' non-credit related expenditure in order to get a better understanding of why his indebtedness was increasing so quickly. As 118 118 Money didn't do anything further, I didn't think that the checks it carried out before providing loan 2 were reasonable and proportionate.

As reasonable and proportionate checks weren't carried out before loan 2 was provided, I couldn't say for sure what they would have shown. So I needed to decide whether it was more likely than not that proportionate checks would have told 118 118 Money that Mr S would have been unable to sustainably repay this loan.

Mr S provided us with evidence of his financial circumstances at the time he applied for loan 2. I accepted that different checks might show different things and just because something showed up in the information Mr S provided, it didn't mean that it would have shown up in any checks 118 118 Money might've carried out.

And for the avoidance of doubt, I sought to make it clear that I wasn't saying that 118 118 had to obtain bank statements from Mr S before lending to him. But in the absence of anything else from 118 118 Money showing what proportionate checks at the time would more likely than not have shown, I thought it was perfectly fair, reasonable and proportionate to place considerable weight on what the information Mr S provided said as an indication of what his financial circumstances were more likely than not to have been at the time.

Having considered the information provided, it was clear that Mr S was struggling to manage his finances at the time he applied for loan 2. It didn't take too much probing and digging to see that the reason for Mr S' increasing indebtedness (and apparent need for a further loan from 118 118 Money) was because he was gambling unsustainable sums of money. And his ability to repay this loan would in large part be dependent on his success as a gambler,

which isn't reasonable basis for concluding that Mr S could repay this loan without borrowing further or experiencing significant adverse consequences.

Bearing all of this in mind, I was satisfied that reasonable and proportionate checks would more likely than not have demonstrated that Mr S was unlikely to have been able to make the repayments to loan 2 without borrowing further and/or suffering undue difficulty. And, in these circumstances, I found that reasonable and proportionate checks would more likely than not have alerted 118 118 Money to the fact that Mr S would not be able to sustainably make the repayments to loan 2.

All of this left me intending to issue a final decision which found that 118 118 Money didn't act unfairly or unreasonably when providing loan 1 but that it did do so when providing loan 2. So overall I explained that it was my intention to partially uphold Mr S' complaint.

I then went on to set out a method of compensating Mr S which addressed 118 118 Money's shortcomings and Mr S' resultant loss.

### **Responses to my provisional decision**

Neither party provided any further comments or anything further for me to consider.

### **My findings**

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

I set out in some detail why I intended to partially uphold Mr S' complaint in my provisional decision of 13 February 2023. As I've not been provided with anything further by the parties, I've not been persuaded to alter my conclusions. So I'm still partially upholding Mr S' complaint. And I remain satisfied that 118 118 Money needs to put things right.

### **Fair compensation – what 118 118 Money needs to do put things right for Mr S**

Having thought about everything, I think that 118 118 Money should put things right for Mr S by:

- refunding all interest, fees and charges Mr S paid on loan 2;
- adding interest at 8% per year simple on any refunded amounts from the date they were paid by Mr S to the date of settlement†
- removing all adverse information recorded about loan 2 from Mr S' credit file.

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

### **My final decision**

For the reasons given above and in my provisional decision of 13 February 2023, I'm partially upholding Mr S' complaint. Madison CF UK Limited should put things right for Mr S in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or

reject my decision before 10 April 2023.

Jeshen Narayanan  
**Ombudsman**