

Complaint

Mr C has complained about a loan Madison CF UK Limited (trading as “118 118 Money”) provided to him. He says he couldn’t afford this loan and had to borrow again to be able to repay it.

Background

118 118 Money provided Mr C with a loan for £1,000.00 in August 2018. This loan was due to be repaid in 24 monthly instalments of just under £80. One of our adjudicators reviewed Mr C’s complaint and he thought 118 118 Money shouldn’t have provided Mr C with his loan. 118 118 Money didn’t respond, so the case was passed to an ombudsman.

My findings

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

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Mr C’s complaint.

Having carefully considered everything I’ve decided to uphold Mr C’s complaint. I’ll explain why in a little more detail.

118 118 Money needed to make sure it didn’t lend irresponsibly. In practice, what this means is 118 118 Money needed to carry out proportionate checks to be able to understand whether Mr C could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

118 118 Money may argue that the relatively low monthly payments meant that a light touch assessment was proportionate here. But I’m mindful that the credit check carried out showed clear signs that Mr C had had an extended history of payday type borrowing. And this coupled with the fact that the payments to this loan meant that Mr C would be paying a significant proportion of his declared monthly income repaying credit, meant that 118 118 Money ought to have found out more about more about Mr C before determining that this loan was affordable for him.

I think further checks would have extended into finding out more about Mr C’s expenditure. And if 118 118 Money had done this here, I’m persuaded that it would have seen that Mr C

was already in a difficult financial position at the time and also found out why this was the case. I'm also satisfied that reasonable and proportionate checks would more likely than not have shown 118 118 Money that Mr C's existing precarious financial position was because he was struggling as a result of personal issues.

So I'm persuaded by what Mr C has said about already being in a difficult financial position at the time and the reasons for this. And as reasonable and proportionate checks should have extended into finding out more about Mr C's income and expenditure, I'm satisfied that they would more like than not have shown 118 118 Money that it shouldn't have provided this loan to Mr C. As 118 118 Money provided Mr C with this loan, notwithstanding this, I'm satisfied it failed to act fairly and reasonably towards him.

Mr C ended up paying interest, fees and charges on a loan he shouldn't have been provided with in the first place. So I'm satisfied that Mr C lost out because of what 118 118 Money did wrong and that it should put things right.

Fair compensation – what 118 118 Money needs to do to put things right for Mr C

Having thought about everything, 118 118 Money should put things right for Mr C by:

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

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

My final decision

For the reasons I've explained, I'm upholding Mr C's complaint. Madison CF UK Limited should put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 24 April 2023.

Jeshen Narayanan
Ombudsman