

Complaint

Mrs G has complained about a loan Madison CF UK Limited (trading as “118 118 Money”) provided to her. She says that the loan was irresponsibly lent.

Background

118 118 Money provided Mrs G with a first loan for £3,500.00 in June 2021. This loan was due to be repaid in 24 monthly instalments of just over £200.

One of our adjudicators reviewed what Mrs G and 118 118 Money had told us. And she thought that 118 118 Money hadn't done anything wrong or treated Mrs G unfairly. So she didn't recommend that Mrs G's complaint be upheld. Mrs G disagreed and asked for an ombudsman to look at her complaint.

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 Mrs G's complaint.

Having thought about everything, I've not been persuaded to uphold Mrs G's complaint. I'll explain why in a little more detail.

118 118 Money needed to make sure that 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 Mrs G could afford to repay before providing this loan.

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 provided Mrs G with a loan for £3,500.00 in June 2021. This loan was due to be repaid in 24 instalments of just over £200. 118 118 Money says it agreed to Mrs G's application after she provided details of her monthly income and some information on her expenditure. It says it cross-checked this against information on a credit search it carried out and all of this information showed Mrs G could comfortably make the repayments she was committing to. On the other hand, Mrs G has said she was in financial difficulty.

I've carefully thought about what Mrs G and 118 118 Money have said.

The first thing for me to say is that 118 118 Money has provided the output of Mrs G's application. 118 118 Money searches appear to show that Mrs G had had historic difficulties with credit – there were historic existing defaults the most recent was one that was settled almost a year earlier. But Mrs G's active commitments at the time were relatively well maintained. Crucially, according to the credit searches, Mrs G's unsecured debt total at the time of the application was low in comparison to her income too.

I accept that Mrs G's actual circumstances may not have been fully reflected either in the information she provided, or the information 118 118 Money obtained. Equally I accept that if 118 118 Money had gone into the depth of checks Mrs G appears to be saying it should have – such as obtaining bank statements in the same way a mortgage provider would – it may have reached a different answer.

But the key here is that 118 118 Money wasn't providing Mrs G with a mortgage. It was providing a loan for a relatively small sum. It's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong. Given the circumstances here, and the lack of obvious inconsistencies, I don't think that reasonable and proportionate checks would have extended further.

As this is the case, I don't think that 118 118 Money did anything wrong when deciding to lend to Mrs G - it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable.

So overall I don't think that 118 118 Money treated Mrs G unfairly or unreasonably when providing her with her loan. And I'm not upholding Mrs G's complaint. I appreciate this will be very disappointing for Mrs G. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mrs G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G to accept or reject my decision before 21 April 2023.

Jeshen Narayanan
Ombudsman