

## **The complaint**

Mrs R complains that Madison CF UK Limited, trading as 118 118 Money, ("Madison") lent to her irresponsibly.

## **What happened**

Mrs R took out a loan with Madison in October 2014. She borrowed £1,500 over 18 months for a car purchase or repairs, repaying £104.13 a month. The total cost of the loan including interest was £1,874.34.

Mrs R, through her representative, says she couldn't afford the credit. She says he had lots of debt elsewhere and that if Madison had done proper checks it had would have known the credit was unaffordable for her.

Madison says it did all the necessary checks before it lent to Mrs R and it didn't see anything which might make it think she couldn't afford the loan.

Our adjudicator considered that Mrs R's complaint should be upheld. They thought that Madison hadn't acted fairly or responsibly on the outcome of its checks and if it had it wouldn't have lent to Mrs R. Mrs R agreed with this view.

Madison didn't respond to the view. As Madison did not say whether it agreed or not the complaint has been passed to me to make a final 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.

We've set out our general approach to complaints about unaffordable and irresponsible lending - including the key relevant rules, guidance and good industry practice - on our website and I've taken that into account when considered Mrs R's complaint.

Having done so, I have come to the same conclusion as our adjudicator. I will explain why I have reached this decision.

Madison needed to take reasonable steps to make sure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mrs R could afford to repay what she was being lent 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, how much borrowing Mrs R had elsewhere and Mrs R's income and expenditure. There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

Madison said that it conducted checks to ensure that the credit would be affordable for Mrs R when she took out the loan. It provided this service with a copy of Mrs R's credit file which it used to make its decision on whether to lend to her. Madison said it identified that Mrs R had disposable income once her essential expenditure was taken into account although it doesn't say how much. I can see that Madison captured some data about expenditure in its application process but it's not clear who provided this information. And the information appears to be inaccurate, as it did not take into account any outgoings for card and loan payments, which Madison knew from Mrs R's credit file she was paying each month.

Looking at the credit file Madison says it relied on when making its lending decision I can see that Mrs R had 17 credit accounts and owed around £25,800. She was using her credit cards to their limits. Over the two year period prior to her application to Madison Mrs R had taken out 32 payday loans, nine of which were in the 12 months preceding her application.

I think that the information Madison had at the point of application showed Mrs R was likely in financial difficulty. Heavy reliance on high cost, short term lending, combined with a high amount of outstanding debt, a large number of credit account and using a high proportion of credit limits are all indicators that a consumer is unlikely to be able to meet the repayments on additional debt in an affordable and sustainable manner.

So, on the information available to me, I don't think Madison acted fairly and responsibly on the evidence it had from the checks it did when it decided to lend to Mrs R. I think on the evidence available to Madison it ought to have understood that Mrs R wouldn't be able to affordably and sustainably meet the repayments each month. So, I think Mrs R lost out as a result of what Madison did wrong.

### **Putting things right**

Madison should not have provided the loan to Mrs R. To settle this complaint Madison should do the following. Please note the amendment to the last point which serves to clarify how Mrs R's credit file should be amended.

- Add up the total amount of money Mrs R received as a result of having been given this loan.
- Subtract the repayments Mrs R has made from this amount.
- If this results in Mrs R having paid more than she received, any overpayments must be refunded along with 8% simple interest\* calculated from the date the overpayments were made to the date of settlement.
- If any capital balance remains outstanding, Madison should arrange an affordable and suitable payment plan with Mrs R. If no such arrangement can be agreed, Mrs R can return to this service to make a further complaint.
- Remove any negative information recorded on Mrs R's credit file as a result of the interest and charges of the loan, but also to remove any negative information recorded on her credit file regarding the loan once the outstanding balance has been cleared.

\*HM Revenue & Customs requires Madison to deduct tax from any award of interest. It must give Mrs R a certificate showing how much tax has been taken off if she asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

**My final decision**

I have decided that Madison CF UK Limited, trading as 118 118 Money, acted unfairly when it gave Mrs R the loan. To put things right I direct Madison CF UK Limited, trading as 118 118 Money to pay compensation as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs R to accept or reject my decision before 11 July 2023.

Sally Allbeury  
**Ombudsman**