

## **Complaint**

Ms B has complained about personal loans Madison CF UK Limited (trading as “118 118 Money”) provided to her. She says the loans were unaffordable.

## **Background**

118 118 Money initially provided Ms B with a first loan for £2,000.00 in June 2016. The total amount to be repaid of £3,697.44, which included interest, fees and charges of £1,697.44, was due to be repaid in 24 monthly instalments of just under £155. This loan was settled early with some of the proceeds from loan 2.

118 118 Money provided Ms B with a second loan for £4,985.50 in January 2017. £1,685.50 of the funds from loan 2 appear to have been used to settle the outstanding balance on loan 1. The total amount to be repaid of £9,148.80, which included interest, fees and charges of £4,163.30, was due to be repaid in 24 monthly instalments of just over £380.

One of our adjudicators reviewed Ms B’s complaint and he thought 118 118 Money ought to have realised that it shouldn’t have provided Ms B with either of these loans. So he thought that Ms B’s complaint should be upheld.

118 118 Money didn’t respond to our adjudicator’s assessment. So the case was passed to an ombudsman for a final decision as per the next step of our dispute resolution process.

## **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 Ms B’s complaint. Having carefully considered everything I’ve decided to uphold Ms B’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 reasonable checks to be able to understand whether Ms B 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.

The information 118 118 Money has provided suggested that it carried out credit checks before both loans were provided. The results of which showed that Ms B was already significantly indebted. And at the time of loan 2 Ms B owed more than she did at the time of loan 1.

All of this leaves me persuaded by what Ms B has said about already being in a difficult financial position at the time of these loans. And while it's possible Ms B's financial position wasn't as a result of financial difficulty, I'd add that my experience of these types of cases suggest this is unlikely, in the absence of any reasonable or plausible arguments from 118 118 Money, I've been persuaded to accept Ms B's version of events here.

As this is the case, I do think that Ms B's existing financial position meant that she was always unlikely to be able to afford the payments to these loans, without undue difficulty or borrowing further. And I'm satisfied that, bearing in mind everything, reasonable and proportionate checks would more like than not have shown 118 118 Money that it shouldn't have provided these loans to Ms B. As 118 118 Money provided Ms B with these loans, notwithstanding this, I'm satisfied it failed to act fairly and reasonably towards her.

Ms B ended up paying interest, fees and charges on loans she shouldn't have been provided with. So I'm satisfied that Ms B 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 Ms B**

Having thought about everything, 118 118 Money should put things right for Ms B by:

- refunding all interest, fees and charges Ms B paid on loan 1;
- adding interest at 8% per year simple on any refunded payments from the date they were made by Ms B to the date of settlement†;
- removing all interest, fees and charges applied to loan 2 from the outset. The payments Ms B made, whether to 118 118 Money or any third-party debt purchaser, should be deducted from the new starting balance – the £4,985.50 originally lent. Any compensation due for loan 1 should also be used to reduce the amount Ms B owes on loan 2. If, after all adjustments have been carried out, Ms B will have ended up 'paying' more than £4,985.50 then 118 118 Money should treat any extra as overpayments. And any overpayments should be refunded to Ms B;
- adding interest at 8% per year simple on any overpayments, if any, from the date they were made by Ms B to the date of settlement†
- any and all adverse information recorded about loan 1 should be removed from Ms B's credit file. If no outstanding balance remains on loan 2 after all adjustments have been made, 118 118 Money should also ensure that any adverse information it recorded about this loan is removed from Ms B's credit file.
- If an outstanding balance does remain once all adjustments have been made, 118 118 Money should get in contact with Ms B to arrange an affordable payment plan. I'd also remind 118 118 Money of its obligation to exercise forbearance and due consideration, in the event it intends to collect on an outstanding balance and it be the case that Ms B is experiencing financial difficulty.

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

### **My final decision**

For the reasons I've explained, I'm upholding Ms B'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 Ms B to accept or reject my decision before 27 June 2023.

Jeshen Narayanan  
**Ombudsman**