

The complaint

Mr A says Madison CF UK Limited, trading as 118 118 Money, irresponsibly lent to him.

What happened

Mr A took out two 24-month instalment loans from 118 118 Money. The first was for £2,000 in February 2017. The second was for £2,670.71 in March 2018 and repaid loan 1 in part. The monthly repayments were £160.57 and £207.56 respectively. Loan 2 defaulted and 118 118 Money has sold the debt.

118 118 Money upheld Mr A's complaint about loan 2. It said it would liaise with the new owner of the debt to ensure all interest and charges were removed and that it would remove any adverse information it had recorded about this loan on Mr A's credit file.

But Mr A said it was also wrong to give loan 1 as it was unaffordable for him. He also said 118 118 Money had not offered to pay statutory interest on the refunded interest and charges on loan 1 as it must.

Our adjudicator upheld Mr A's complaint about loan 1. He found the lender had not completed proportionate checks and had it done so it would have seen Mr A could not afford the loan.

Both parties agreed with this assessment, though 118 118 Money asked for confirmation as to how it should settle the complaint. Our adjudicator provided this but the lender did not respond so the complaint was passed to me.

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.

Our approach to irresponsible/unaffordable lending complaints, as well as all the relevant rules, guidance and good industry practice, is set out on our website and I have followed it here.

As it is no longer in dispute that 118 118 Money was wrong to lend to Mr A I need not comment on the lending decisions. I will focus on what 118 118 Money must do to put things right – as it queried this.

I have set out below our standard approach which is based on the premise Mr A must repay all the capital he borrowed as he had the benefit of that money. But, that it is unfair for him to pay interest and charges on loans that should not have been given to him.

118 118 Money has already arranged for the new owner to deduct all interest and charges on loan 2 from the balance outstanding. It also committed, as we would have instructed, to remove any adverse information it had recorded on Mr A's credit file about loan 2.

However, for completeness, as loans 1 and 2 are linked I am setting out the approach we

take in such circumstances. 118 118 Money must work with the new owner to either buy back the debt, or to achieve the same outcome as the steps laid out below.

Putting things right

118 118 Money must:

- Add up the total amount of money that Mr A received as a result of being given loans 1 and 2. Deduct the repayments he made from this amount.
- If this results in Mr A having paid more than he received, any overpayments should be refunded along with 8% simple interest (calculated from the date the overpayments were made until the date of settlement). †
- If any capital balance remains outstanding, then 118 118 Money should attempt to arrange an affordable and suitable payment plan with Mr A.
- Remove any negative information recorded on Mr A's credit file relating to loan 1 and to loan 2 once the capital balance has been repaid.

118 118 Money can of course deduct the refund or balance reduction, if any, that it made following its decision to uphold Mr A's complaint about loan 2.

† HM Revenue & Customs requires 118 118 Money to take off tax from this interest. 118 118 Money must give Mr A a certificate showing how much tax it's taken off if they ask for one.

My final decision

I am upholding Mr A's complaint and Madison CF UK Limited, trading as 118 118 Money must put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 20 July 2023.

Rebecca Connelley
Ombudsman