

Complaint

Miss J has complained about personal loans Madison CF UK Limited (trading as “118 118 Money”) provided to her. She says that the loans were unaffordable and so shouldn’t have been provided to her.

Background

118 118 Money initially provided Miss J with a first loan for £3,500.00 in April 2017. The loan had an APR of 99.9% and the total amount to be repaid of £6,663.36, which included interest, fees and charges of £3,133.36, was due to be repaid in 24 monthly instalments of just under £280. This loan was settled early with some of the proceeds from loan 2.

118 118 Money then provided Miss J with a second loan for £3,395.72 in November 2018. £1,395.72 of the proceeds from this loan went towards settling the outstanding balance on loan 1. This loan also had an APR of 99.9% and the total amount to be repaid of £6,409.68, which included interest, fees and charges of £3,013.96, was due to be repaid in 24 monthly instalments of just under £270.

One of our adjudicators reviewed Miss J’s complaint and he didn’t think that proportionate checks would have prevented 118 118 Money from providing Miss J with either of these loans. So he didn’t think that Miss J’s complaint should be upheld.

Miss J disagreed with 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 provisional decision of 12 June 2023

I issued a provisional decision – on 12 June 2023 - setting out why I intended to uphold Miss J’s complaint. I won’t copy that decision in full, but I will instead provide a summary of my findings.

I started by explaining that we’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And that I had used this approach to help me provisionally decide Miss J’s complaint.

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 Miss J 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 provided suggested that it carried out credit checks before both loans were provided. The results of which showed that Miss J was significantly indebted and had had difficulty repaying credit. Indeed she had a number of defaulted accounts and an active county court judgement at the time she applied for loan 1. Furthermore, Miss J was significantly more indebted by the time that she applied for loan 2 and a significant proportion of her monthly income was going towards credit repayments.

All of this left me persuaded by what Miss J had said about already being in a difficult financial position at the time of these loans. And while I acknowledged that it was possible Miss J's financial position wasn't as a result of financial difficulty, I added that my experience of these types of cases suggested this was unlikely, in the absence of any reasonable or plausible arguments from 118 118 Money, I was persuaded to accept Miss J's version of events in this instance.

As this was the case, I thought that Miss J'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 was 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 Miss J.

As 118 118 Money provided Miss J with these loans, notwithstanding this, I set out that it was my intention to issue a final decision which found that it failed to act fairly and reasonably towards her.

Miss J ended up paying interest, fees and charges on loans she shouldn't have been provided with. So I was satisfied that Miss J lost out because of what 118 118 Money did wrong and I explained that it was my intention to issue a final decision that directed it to put things right.

Responses to my provisional decision

Miss J confirmed that she agreed with my provisional decision and that she had nothing further to add.

118 118 Money didn't provide anything further for me to consider or ask for any additional time to do so.

My findings

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

I set out in some detail why I intended to uphold Miss J's complaint in my provisional decision of 12 June 2023. As I've not been provided with anything further to consider by the parties, I've not been persuaded to alter my conclusions. So I'm still upholding Miss J's complaint. And I remain satisfied that 118 118 Money needs to put things right.

Fair compensation – what 118 118 Money needs to do to put things right for Miss J

Having thought about everything, I'm satisfied that 118 118 Money should put things right for Miss J by:

- refunding all interest, fees and charges Miss J paid on her loans;

- adding interest at 8% per year simple on any refunded payments from the date they were made by Miss J to the date of settlement†;
- removing all adverse information it recorded on Miss J's credit file as a result of these loans.

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

My final decision

For the reasons I've explained above and in my provisional decision of 12 June 2023, I'm upholding Miss J'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 Miss J to accept or reject my decision before 31 July 2023.

Jeshen Narayanan
Ombudsman