

Complaint

Mr H has complained about loans Madison CF UK Limited (trading as “118 118 Money”) provided to him. He says the loans were unaffordable.

Background

118 118 Money initially provided Mr H with a loan for £2,500.00 in October 2017. This loan was due to be repaid in 24 monthly instalments of around £250. Mr H was then provided with a second loan for £1,000.00 in July 2021. This loan was due to be repaid in 12 monthly instalments of around just over £101.

One of our adjudicators reviewed what Mr H and 118 118 Money had told us. And she thought that 118 118 Money hadn't done anything wrong or treated Mr H unfairly for loan 1 but that it should have realised that it shouldn't have provided loan 2 to Mr H. So she recommend that Mr H's complaint be partially upheld. 118 118 Money agreed with our adjudicator's assessment but Mr H disagreed and asked for an ombudsman to look at his complaint.

As the parties are in agreement with the outcome on loan 2, this decision is only looking at whether 118 118 Money acted fairly and reasonably when providing loan 1 to Mr H.

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 Mr H's complaint.

Having carefully considered everything, I'm satisfied that what 118 118 Money has already agreed to do to put things right for Mr H is fair and reasonable in all the circumstances of his case. I'm therefore not requiring it to do anything further. 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 Mr H 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 says it agreed to Mr H's application for loan 1 after he provided details of his monthly income and some information on his expenditure. It says it cross-checked this against information on a credit search it carried out and all of this information showed Mr H could afford to make the repayments he was committing to. On the other hand, Mr H has said he was in financial difficulty.

I've carefully thought about what Mr H and 118 118 Money have said.

The first thing for me to say is that 118 118 Money has provided a record of the results of its credit searches. 118 118 Money searches appear to show that apart from being a little over the limit on one of his credit cards a few months earlier, which on its own wouldn't suggest that a lender shouldn't lend, Mr H's commitments at the time were relatively well maintained. Crucially, according to the credit searches, Mr H's unsecured debt total at the time of the application was reasonable in comparison to his income too.

I accept that Mr H appears to be suggesting that his actual circumstances may not have been fully reflected either in the information he provided, or the information 118 118 Money obtained. But even if I accept that 118 118 Money's checks ought to have gone into the depth Mr H appears to be saying it should have – such as obtaining bank statements in the same way a mortgage provider would – despite Mr H having been provided with an extended opportunity to provide sufficient information, I've not seen anything to indicate that the loan payments to loan 1 were demonstrably unaffordable.

I also think that it's important for me to explain that 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 into the level of checks Mr H is suggesting – and even then we haven't been provided with anything which demonstrates the loan was unaffordable at the time either.

As this is the case, I don't think that 118 118 Money did anything wrong when deciding to lend provide loan 1 to Mr H - it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable. And, in any event, I've not been provided with anything to suggest that doing more would have prevented it from lending either.

So overall I don't think that 118 118 Money treated Mr H unfairly or unreasonably when providing him with loan 1. And I'm not upholding Mr H's complaint this loan. I appreciate this will be very disappointing for Mr H. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

As I'm not upholding the complaint about loan 1 I'm satisfied that what 118 118 Money has already agreed to do to put things right for Mr H is fair and reasonable in all the circumstances of his complaint. And I leave it up to Mr H to decide whether he now wishes to accept the offer 118 118 Money has made in relation to loan 2.

My final decision

For the reasons I've explained, I'm satisfied that what Madison CF UK Limited has already agreed to do to put things right for Mr H is fair and reasonable in the circumstances of this case. And I'm not requiring it to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or

reject my decision before 21 August 2023.

Jeshen Narayanan
Ombudsman